P.A.C. No. 216

PUBLIC ACCOUNTS COMMITTEE (1968-69)

(FOURTH LOK SABHA)

SIXTIETH REPORT

APPROPRIATION ACCOUNTS (RAILWAYS), 1966-67
AND AUDIT REPORT (RAILWAYS) 1968

LOK SABHA SECRETARIAT
NEW DELHI

April, 1969/Chaitra, 1891 (Saka)

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Page	Para	Line	for	read
(v)	2	7	"Par"	"Part"
2	1.4	21	"modst"	"modest"
2	1.4	32	"ement"	"Cement"
6	1.10	11	"the"	"they"
7	1.10	(5)(f)	"signaling"	"signalling"
8	1.10	13	"appointment"	"apportionment"
8	1.10	26	"complied"	"compiled"
11	1.16	6	"a head"	"ahead"
11	1.16	8	"gaguge"	"gauge"
13	1.19	1	"13"	"9"
15	1.22	4	"materalise"	"materialise"
17	1.29	21	"outlaying"	"outlying"
19	1.32	4	"dimentions"	"dimensions"
22	1.45	1-2	"speciafically"	"specifically"
23	1.47	6	"Commission"	"Commissioner"
23	1.47	16	"utilisation"	"dieselisation/"
23	1.47	18	"houlage"	"haulage"
41	2.14	8	"egerness"	"eagerness"
59	2.69	5	Delete "a"	
69	2.105	2	"bogiet"	"bogie"
69	2.105	27	"drown"	"drawn"
69	2.105	28	"surplul"	"surplus"
76	2.125	1	"(Third Lok Sabha,"	"Third Lok Sabha),"
76	2.126	3	"Six"	"six"
93	3.22, sub para 2	2	"1969"	"1959"
96	3.31	7	"₹ 1,04 lakhs"	"₹ 1.04 lakhs"
104	3.53	15	"at"	"as"
105	4.3	1-2	"regarded"	"regraded"
105	4.3	2	"regarding"	"regrading"
108	4.8	16	"regarding"	"regrading"
108	4.8	last but 1.	"Appendix I"	"Appendix I (not attached)"
109	4.8	20	"forecast"	"forecast of"
118	4.36	5	"seperate"	"separate"
118	4.36	6	"uotward"	"outward"
121	4.43	9	"station"	"stations"
124	4.52	4	"General"	"Central"
126	4.57	13	"later"	"latter"
126	4.58	2	"of"	"the"
126	4.58	5	"tons"	"tonnes"
127	4.60	10	"rains"	"trains"
128	4.61	35	"totaliled"	"totalled"

P.T.O.

Page	Para	Line	For	Read
129	4.61	7-8	"replecement"	"replacement"
129	4.62	20	Delete "in"	
131	4.69	6	"tropena"	"tropenaz"
134	4.80(b)	5	"the"	"be"
135	4.82	2	"as"	"at"
139	4.85	7	"warrantly"	"warranty"
145	5.4	2	"we"	"we are"
156	5.33	6	"hoped"	"hope"
164	7.1	11	"fitin,s"	"fittin,,s"
176	7.40	23	"is"	"in"
178	7.44	4	"receipt"	"receipts"
180	7.57	4	"hint"	"him"
*184	Col. 3	4	"concern"	"concerned"
187	Col.4	8	"spot"	"spots"
189	Col. 4/ S.No.6	1	"exercise"	"exercised"
192	Col. 4	7	"as"	"an"
199	Col. 4	10	"axcept"	"except"
199	Col. 4	19	"dimentional"	"dimensional"
205	Read the matter instead of		in columns 1 - 3 against line 3 against line 1.	
205	Col. 4	1	"startd"	"started"
207	Col. 4/ S.No. 37	9	"station"	"stations"
208	Col. 4/ S.No. 38	6	"duoblin,"	"doublin,"
213	Col. 4/ S.No. 45	13	"ariation"	"variation"
213	Col. 4	18	"the"	"are"
219	Col. 4/ S.No. 54	33	"possible. So"	"possible so"

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* 23	1.48/ Col 1	5-6	Add "Expenses on Fuel" "Total Expenses"	
31	1.70	1	"page 50"	" page 29"
* 185	Col 4	Last	"page 13"	"page 9"

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PART II*

Minutes of the sittings of the Public Accounts Committee held on :—

8-10-1968 (AN).

9-10-1968 (FN and AN).

10-10-1968 (FN).

3-4-1969 (AN).

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142 (Aii) LS—1

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(1968-69)

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*Declared elected on the 19th August, 1968 *vice* Shri M. M. Dharia resigned from the Committee.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Sixtieth Report (Fourth Lok Sabha) on Appropriation Accounts (Railways), 1966-67 and Audit Report (Railways), 1968.

2. The Appropriation Accounts (Railways), 1966-67 together with the Audit Report (Railways), 1968, was laid on the Table of the House on the 13th March, 1968. The Committee examined them at their sittings held on the 8th (AN), 9th (FN & AN) and 10th (FN) October, 1968. The Committee considered and finalised this Report at their sitting held on the 3rd April, 1969 (AN). Minutes of these sittings of the Committee form Par II* of the Report.

3. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report. For facility of reference these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the examination of these accounts by the Comptroller and Auditor General of India.

5. The Committee would also like to express their thanks to the Chairman and Members of the Railway Board and representatives of the Department of Supply and Department of Iron and Steel for the co-operation extended by them in giving information to the Committee.

NEW DELHI;
April 14, 1969
Chaitra 24, 1891 (*Saka*).

M. R. MASANI,
Chairman,
Public Accounts Committee.

*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library.

I

FINANCIAL RESULTS OF THE WORKING OF THE RAILWAYS

AUDIT PARAGRAPH

For the first time since 1947-48, the working of the Railways showed a net deficit in the year 1966-67. Against a surplus of Rs. 22.19 crores anticipated in the Budget, the accounts closed with a net deficit of Rs. 18.27 crores. The deficit was made good by withdrawal of an equivalent amount from the Revenue Reserve Fund. The balance in the Revenue Reserve Fund at the end of the year stood at Rs. 44.70 crores, while the balance in the Development Fund was Rs. 3.37 crores.

1.2. The net deficit was due to a shortfall of Rs. 26.54 crores in the estimated gross receipts and increase of Rs. 15.03 crores in the anticipated revenue expenditure.

(In crores of rupees)

Particulars	Budget	Actuals	Variations
1. Gross Receipts . . . Deduct.	795·54	769·00	(—)26·54
2. (a) Revenue Expenditure .	639·85	654·88	(+) 15·03
(b) Payments to General Revenues. . . .	(+) 133·50	(—) 132·39	(—)1·11
3. Net Surplus Deficit . .	(+)22·19	(—) 18·27	(—) 40·46

[Paragraph No. 1 Audit Report (Railways) 1968].

1.3. Pointing out that the Railways had run into a deficit, the Committee enquired whether the heavy over-capitalisation in the Railways that occurred during the third five-year plan which resulted in heavy dividend liability to General Revenues was not responsible for the deficit. The Financial Commissioner (Railways) stated that the principal reason was that the traffic had not increased according to anticipations. The working expenses had also gone up because of repeated doses of dearness allowance, increase in the cost of fuel, coal and diesel oil. He admitted that they had not been able to get in recent years the return on the capital investment that they had been making and they had actually reached a position where the deficit might increase.

N.B. The figures given under Budget do not take into account the figures of Revised Estimates and supplementary provisions.

1.4. The Committee pointed out that the deficit was caused by a shortfall in total earnings of Rs. 26.54 crores of which as much as Rs. 24.91 crores was due to non-materialisation of goods traffic on the scale anticipated. They were informed that "the budget estimate of increase in traffic was based on the actual experience of 1964-65, the revised estimate for 1965-66 and the latest trends in that year, as well as the effect of revision of freight rates."

"The rate of growth of goods traffic has been erratic—

5.8. million tonnes in 1961-62
13.8 million tonnes in 1962-63
8.2. million tonnes in 1963-64
1.2. million tonnes in 1964-65
13.2 million tonnes in 1965-66
2.2. million tonnes in 1966-67

It was estimated on the basis of the trends of 1965-66 that in 1966-67 there would be an increase in revenue earning goods traffic of 11 million tonnes."

"The estimate was framed after obtaining forecasts of the output of coal, steel, export ore and cement from other Ministries. These forecasts were heavily discounted before the estimates of goods earnings were framed *vide* table below. But even these more modst estimates did not materialise."

(In million tonnes)

	Forecast from other Ministries	Estimates adopted for goods earnings.	Actuals
Coal	10·07	2·9	—0·2
Steel Plants raw materials	5·73	1·7	—0·8
Steel finished	1·05	0·5	NIL
Export iron ore	2·48	1·1	+1
ement	1·30	1·3	+0·3

"What upset this estimate was mainly the drought in 1966-67; this affected not only the agricultural output but also industry, both agro-based and hydel-powered. Heavy engineering and general traffic also

dropped. The increase in the industrial output fell to plus 2.6 per cent from plus 5.6 per cent in the previous year."

"Bunds, Hartals and civil disturbances also hindered rail movement."

"When framing the Revised Estimates for 1966-67 in January '67, the position was that an increase of 3.8 million tonnes had already accrued during the first nine months of the year and February and March, which are usually busy months, were expected to contribute one million tonnes more, making a total increase during the year of about 5 million tonnes. But February and March actually witnessed a fall of 1.5 million tonnes compared to the previous year, so that the total increase during the year was only 2.2 million tonnes."

1.5. The Committee pointed out that at the time of presentation of the Budget in 1966-67, it was stated in the Explanatory Memorandum as follows:—

"The growth of passenger traffic has had a check during 1965-66, to an even greater extent than expected. Due note has to be taken of the likelihood of this tendency for a pause in traffic to harden with the drop in agricultural output and incomes." The Committee asked whether this factor of drought was kept in view while framing the Budget Estimates for goods earnings and if so, on what basis an increase in goods earnings from Rs. 441.90 crores in 1965-66 to Rs. 506.63 crores in 1966-67 was anticipated. In a note on this point the Ministry of Railways have stated.

"Budget Estimates for the ensuing year are framed on the basis of the Revised Estimates of the current year and the likely trend in the next year. During 1965-66 it was observed that there was a noticeable check in the growth of passenger traffic. The Revised Estimate of passenger earnings during 1965-66 was therefore placed at Rs. one crore less than the Budget Estimate for that year. Note was taken of this trend in passenger traffic also in the Budget Estimate for 1966-67. In the case of goods traffic the trend was somewhat different. In the first nine months of 1965-66, actual traffic in some of the relatively higher rated items was an improvement on the proportionate targets for the period. Based on this trend the Revised Estimate of goods earnings for 1965-66 was placed at Rs. 462 crores; Rs. 20.10 crores higher than the Budget Estimates of Rs. 441.90 crores. The anticipation was fully realised as the actual

realisation was Rs. 465.49 crores, or about Rs. 5½ crores higher. It was expected that this trend in the goods traffic would continue in 1966-67, and the Budget Estimate for that year was placed at Rs. 506.53 crores—an increase of Rs. 44.53 crores over the Revised Estimate for 1965-66. This assessment predicted an increase of about 11 million tonnes in the originating traffic over 1965-66, and also included the additional earnings on account of the changes in the freight rates."

1.6. The Committee pointed out that the operating ratio of the Railways had increased from 79.5 in 1965-66 to 83.2 in 1966-67. In a note to the Committee, the Ministry explained that if the effect of increases in tariff on the one hand and increase in prices, dearness allowance to the staff and increase in the contribution to the Depreciation Reserve Fund on the other are excluded, the operation ratio of the year 1966-67 (82.71), compared favourably with the operating ratio of the year 1965-66 (78.30).

1.7. The Committee were informed of the following position during evidence by the Financial Commissioner (Railways): "What has happened is that on the one hand traffic has not increased according to anticipations and, therefore, we have failed to earn what we expected we should be earning and on the other hand costs have increased more than in proportion to the price rise and wage rise. Therefore, this operating ratio has been affected adversely."

1.8. The following table indicates the increase in unit cost of operation in the Railways in 1966-67 as compared to 1965-64:

Coaching Services	Broad Gauge	Metre Gauge
	(percentage increase in cost)	
Cost per vehicle km. (per 4 wheeler)		
(a) Excluding interest	20·51	27·09
(b) Including interest	24·22	25·74
Cost per gross tonne km.		
(a) Excluding interest	10·35	22·58
(b) Including interest	23·44	21·11
Goods Services :		
Cost per wagon km. (per 4 wheeler)		
(a) Excluding interest	18·62	21·42
(b) Including Interest	21·12	20·38

Coaching Services*	Broad Gauge	Metre Gauge
	(percentage increase in cost)	
Cost per net tonne km.		
(a) Excluding interest	19·37	18·36
(b) Including interest	21·97	17·14
Cost per gross tonne km.		
(a) Excluding interest	18·98	20·27
(b) Including interest	21·76	19·47

The Committee enquired why unit costs of operation went up during the years 1963-64 to 1966-67. The Ministry stated that the increases were mainly due to the increase in (i) the *per capita* cost of staff; (ii) the prices of stores and materials and (iii) the rate of interest. A composite (weighted) increase in the total costs in 1966-67 over 1963-64 (giving weightage of 70: 14: 16 to ordinary working expenses, depreciation and interest charges) due to rise in prices/wages and the rate of interest worked out to 22.2 per cent. If interest charges were excluded, the composite increase worked out to 25.5 per cent. The Ministry further stated: "The increase in unit costs under goods services was lower than the rise due to the factors enumerated above. The unit costs under goods services would have been even lower if the anticipated traffic for which additional assets were built up had fully materialised, particularly on the B.G. system. Under coaching services, increase in unit costs including interest on the broad gauge are marginally highter than the rise in prices, wages, etc. It has to be remembered, however, that certain joint expenses on fixed assets are apportioned between coaching and goods services in certain ratios, and the materialisation of less freight traffic than anticipated has led to the coaching services bearing a higher share of joint expenses on additional assets, built up during this period mainly for haulage of additional goods traffic on the B.G. system like electrification doubling etc."

"The overall unit cost in terms of gross tonne kilometre, taking both the coaching and goods services together, has not risen more than the increase in prices, wages, etc., as would be seen from the following figures of percentage increase between 1963-64 and 1966-67 in the overall unit cost per gross tonne km.

	Broad Gauge	Metre Gauge
Excluding interest	19·62	21·88
Including interest	22·30	20·67"

1.9. The Committee desired to know what steps were being taken by the Railways to introduce performance budgeting so that the performance was periodically assessed not only in financial but also in physical terms. The Financial Commissioner (Railways) informed the Committee that they had been going into the matter very carefully. It was a very intricate and difficult question so far as Railways were concerned. They had already undertaken certain tasks for purposes of fixation of the norms and according to their expectation, it would easily take two or three years to complete this.

1.10. The Committee enquired how far and in what specific spheres the studies of the cost study cell set up in the Railway Board, had been helpful to the Railways. The Financial Commissioner, Railways stated: "I have been giving a great deal of attention to this matter. I cannot claim that our costing cell today is fully geared to undertake the kind of job and responsibility which they should undertake for purposes of assisting the management in taking big policy decisions and to evaluate performance. Nevetheless the cell has been undertaking a number of studies in regard to costing. They produce periodical reports or statements about capital-output ratio, costs per unit on maintenance on line haulage; the undertake costing studies also; they had undertaken studies of the return from passenger services and goods services. I have now given them the task of studying the cost of passenger service by classes, slow, halting, fast and long distance services. Various studies of this nature are being undertaken."

The Ministry in a note have stated as under:

"The Indian Railways started systematic traffic costing of goods services in 1964-65. Classification heads and sub-detailed heads were amplified to facilitate direct booking of expenses identifiable with coaching or goods services and joint and common costs which are not separately identifiable with particular service are allocated to the two services according to certain prescribed formulae.

Having assembled the expense figures separately under freight and coaching services, freight expenses are further divided into two categories, *viz.*, terminal and line haul. These costs have been worked out separately for the two gauges on each of the 9 Zonal Railways as well as for the whole of the broad gauge, the whole of the metre gauge systems of the Indian Railways.

Basic average unit costs are available for different functional groups of services as indicated below:—

(1) Terminal cost per tonne, separately for 'full car loads' and 'L.C.L.' and also per car in the case of 'full car loads' and further split up into—

(a) terminal cost of documentation;

(b) terminal cost of handling LCL trips;

(b) other terminal expenses which cover the cost of provision and maintenance of track and structures, shunting cost, etc., separately for car loads and 'LCL'.

(2) Cost of transhipment from one gauge to another—per tonne per transhipment.

(3) Cost of repacking smalls—per tonne per handling.

(4) Cost of marshalling—per car handled per yard.

(5) Line haul cost—

(a) per train kilometre;

(b) per car kilometre;

(c) (i) per tonne kilometre—pay load;

(ii) per wagon kilometre (carrying unit);

(d) Cost of traction per 1000 gross tonne kilometre (GTKM), separately for steam, diesel and electric.

(e) cost of other transportation expenses including train passing staff; and

(f) cost of track and signaling per 100 GTKM and per train kilometre.

(6) Cost of provision and maintenance of cars.

(7) General overhead charges.

A further refinement has been introduced in 1965-66 in that the 'line haul' unit costs are available separately for 'through goods trains' and 'van and shunting' trains. End results are being regularly worked out by the Traffic Costing Cell of the Board's Office and communicated to the Railways for examining any proposal for station to station rates and other proposals and for exercising effective control over expenses. The information is treated as *'Confidential'*.

Railways have been asked to compile the expense data and analyse the freight expenses and work out the basic average unit costs. So far only the Eastern and the South Eastern Railways have started compiling and working out the basic average unit costs in respect of freight services. Other Railways are to follow.

To make this tool more purposeful, the costs should be broken down Divisionwise or into smaller homogenous units. To begin with, Railways have been asked to work out Divisionwise cost data.

Ad hoc studies, for example, of the cost of working Coal Pilots, the cost of working EMU services in Bombay, Calcutta and Madras areas, the cost of dieselisation of certain selected long-distance mail and express trains, economics of container services, etc., have been made by the Costing Cell of the Board's Office.

Some future developments programmed now are mentioned below:—

Costing being a continuous process, the ratios for appointment of joint and common costs have to be updated periodically to take account of improvements, technological developments and operation techniques and changes in the pattern and volume of traffic, etc. Costing tehniques have to be improved and refined by making use of statistical regression analysis, cross-section sampling, time series etc., to study the variability of expenses with volume of traffic. Repairs and maintenance costs of rolling stock have to be compiled for each type/class of rolling stock. Further, the effect of 'Time' and 'Use' on the expenses of rolling stock have to be assessed.

While the formula for use in determining the cost of goods services has been finalised and the basic average unit costs in respect of goods services are being regularly complied from year to year, the analysis of coaching expenses under different functional groups of services—terminal, line haul, overheads for each of the services like passenger, luggage, parcels and catering has yet to be undertaken. Further, the cost of passenger services, by different types of traction, should be made available for—

(a) Mail and Express trains;

(b) slow/stopping passenger trains;

(c) shuttle (non-suburban);

(d) EMU services; and

(e) other conventional suburban trains.

A terminal study in this connection has just been initiated. The second stage will be to analyse the running costs including

repairs, maintenance and provision of locos, coaching stock, etc., by service groups. The third stage is to obtain performance Statistics—tonnes originated, terminated, transhipped, tonne kilometres by gauges, tonnes repacked by gauges in respect of parcels and luggage. With the results of the three analyses, we should be in a position to evolve a detailed coaching performa that would give basic average unit costs for parcels, luggage and passenger traffic, by Railways and by gauges—the passenger cost being further split under Mail and Express trains, ordinary passenger trains, EMU trains and other suburban trains. It is hoped to complete this study by the end of next year.

These cost data were made use of while formulating the new rates ('C' class) for "less than car loads" traffic and coal rates. Details of cost are furnished to the Officer on Special Duty (Freight Structure) who is formulating a new freight structure."

1.11. The Committee pointed out the set-back in the utilisation of track, locomotives and wagons during 1966-67 as shown in published statistics:

Track. Net tonne kilometres (in million) moved per annum per 1000 running track kilometres.

	B. G.	M. G.
1950-51	1,232	243
1955-56	1,597	356
1960-61	2,189	537
1965-66	2,556	744
1966-67	2.535	717

Locomotives:

Gross load per tractive effort.

	B. G.	M. G.
1950-51	83·04	58·0
1955-56	83·08	58·5
1960-61	91·9	79·0
1965-66	92·4	78·6
1966-67	92·0	77·7

Wagons.

Net tonne kilometres moved per annum per tonne of wagon capacity.

	B. G.	M. G.
1950-51	11,833	9,021
1955-56	14,790	4,497
1960-61	16,558	10,125
1965-66	15,525	12,410
1966-67	14,864	11,802

1.12. They were informed that "utilisation of assets during 1966-67 was lower as compared to 1965-66 mainly due to the recession in economic activity during the year which led to a fall in the level of goods traffic. Partly it was due to the change in the pattern of movement, resulting in the increase in wagon turn-round."

1.13. The Committee desired to know the reasons for the steady fall in the indices of wagon utilisation so far broad gauge was concerned. The Chairman, Railway Board stated that one of the reasons was recession in the economy and the steel plants and the coal industry not having come up to the extent for which the planning had been done. There had been some idling of assets. He further informed the Committee that a very important factor in 1966-67 had been the rising number of strikes, riots, indiscipline etc. The Financial Commissioner, Railways informed the Committee, "There are broadly three factors which affect wagon turn-round or utilisation of yards. One is the loading factor. If the traffic does not increase and there is no loading to the same extent anticipated, there is increase in wagon turn-round. The other is the patern of traffic. If it changes and as a result more empty haulage has to be done, again the requirements of wagons go up. Thirdly these detentions and interferences. It is very difficult to give the precise extent of operation of these three factors and give the quantum affected; we can only make a guess."

1.14. As to the question of improvement that should have come on account of investment in dieselisation, electrification and modernisation, the Committee were informed by the Financial Commissioner of Railways that during the transitional period their investments were remaining a little higher proportionate to the output they got. There were transitional difficulties and they would ultimately get the full benefit of these modern means of traction and signalling when they did

away completely with steam operation in a particular section or a particular route.

1.15. The Committee pointed out that according to the information received from the Ministry of Railways a total of 18,957 broad gauge wagons (in terms of 4 wheelers) were placed on the line during 1966-67 of which 13,208 were on additional account. The Commitee drew the attention of the representatives of the Railway Board in this context to the fact that there was substantial surplus wagon capacity with the Railways at the end of the Third Plan. The Committee enquired what steps the Ministry had taken to ensure that the continued procurement of wagons did not adversely affect their operational efficiency and the financial results. The Chairman, Railway Board explained that it was due to change in pattern of traffic, which had increased the requirements of Railways for closed wagons.

1.16. The Committee enquired whether due to change in traffic open wagons procured earlier were rendered surplus, what was the extent of such redundancy and what action was taken by the Ministry thereon. The Ministry in a note stated:

"At the end of the Third Five Year Plan, rail capacity in terms of wagons was a head of demand on broad gauge particularly for flows of programmed traffic like coal, ores, raw materials for steel plants and iron and steel, while on the metre gaguge, rail capacity and demand were more or less balanced.

This position continued in 1966-67 but reduced demand for movement of iron and steel and sugarcane accentuated to some extent the surplus of open wagons.

An exercise conducted recently indicates that on an overall assessment, there was surplus of 4,368 wagons (four wheelers) on the broad gauge and a shortage of 1,612 on the metre gauge on 31-3-1966. As against this, a calculation made earlier had revealed a shortage of around 8,700 covered wagons in the broad gauge fleet (the shortage of covered wagons was mainly felt on the broad gauge) as on 31st March, 1966.

As soon as the above distortion in the typewise availability of wagons (caused by shortfalls in traffic requiring the use of opens, precipitate cuts in wagon orders, and changed pattern of loading of commodities requiring covered wagons) was noticed, remedial action was taken to restrict procurement of open wagons and programme the building of as many covered wagons as possible. In the Rolling stock Programme for 1966-67 to 1968-69, about 34,000 broad gauge covered wagons have been provided for including the replacement requirements.

Meanwhile, in the absence of adequate covered wagons to meet the changed pattern of traffic, open wagons have had to be used to clear traffic such as foodgrains, cement, etc., using tarpaulins where necessary."

1.17. The Committee note with concern that the Railways ran into a deficit in 1966-67 for the first time since Independence. The Budget for 1966-67 actually envisaged a surplus of Rs. 22.19 crores, but this failed to materialise and the actual results showed a deficit of Rs. 18.27 crores. The deficit was mainly caused by a shortfall in goods earnings, in respect of which the Railways had in fact expected an increase of Rs. 44.53 crores over the revised estimates for the previous year. It is odd that such result should have been anticipated at all, when the Budget had taken note of the drought and its repercussions on passenger earnings, which were expected to go down. The actual results over the year showed that the drought affected other sections of the economy as well and upset the Railway's calculations regarding an increase in goods earnings.

1.18. In their 22nd Report (Fourth Lok Sabha), the Committee have already drawn attention to the heavy overcapitalisation that took place in the Railways during the period of the Third Plan leading to the creation of traffic capacity far in excess of actual requirements. In the Committee's opinion, the deficits now developing in the Railways have to be considered as a legacy of the faulty policies embodied and followed during the Third Plan, which resulted in an increase in dividend liability of the Railways to the General Revenues from Rs. 55 crores in 1960-61 to Rs. 115 crores (excluding the passenger fare tax) in 1966-67.

1.19. In the context of the deficits now developing, it will be necessary for the Railways to take serious steps to put their house in order. The Committee would in this connection like to commend the following broad lines of approach:

(i) The Railways should show extreme circumspection in embarking on new capital expenditure. Work like the doubling of lines and expansion and remodelling of yards, etc. fall in this category. Later in this report, the Committee have given some instances of such works completed at substantial costs not having brought the results expected of it.

(ii) A concerted effort should be made to secure more efficient use of the rolling stock and other capital assets on the Railways. The indices of track, wagon and locomotive utilisation given

at page 13 of this report show that there is scope for improvement in this regard. One way of improving the utilisation of rolling stock and effect saving in the fuel bill is to increase the speed of trains without endangering safety. It would have the double advantage of adding to public convenience and also effecting saving in expenditure. A particular effort should also be made to maximise wagon usage by reduction in the 'turn-round' and further resources should not be committed to the purchase of wagons before a careful assessment is made of surplus wagon capacity existing in the Railways as suggested by the Committee in paras 1.35 & 1.36 of their Forty-Ninth Report (Fourth Lok Sabha).

(iii) Cost consciousness should be inculcated at all levels of operation. Some of the Zonal Railways are stated to be compiling data about the basic average unit cost in respect of freight services. The Railway Board should ensure that this data is speedily compiled by all Zonal Railways and purposefully used to identify expensive areas of operation and to enforce economies. Other fields where costing and job analysis would help to bring about economies are marshalling yards, terminals and locomotive workshops. In regard to the workshops, the Committee have elsewhere in this Report made suggestions for the introduction of a system of batch costing and comparative evaluation of the performance of workshops in the various Zones.

The Committee are glad to note that the cost study cell in the Railway Board has undertaken useful studies of various areas of operation. The Committee have no doubt that the results of their study in subjects like 'Line Haul' Cost, 'Cost of Marshalling' etc. will be used by the Railway Board to evaluate the comparative performance of the individual Railway and to isolate weak spot, which should immediately receive attention.

(iv) Systematic efforts should be made to effect economy in expenses. Two fields which should receive special attention are fuel consumption and staff strength. The expenditure on fuel and staff should be subjected to periodical high-level review both at the Zonal and the Railway Board level and expenditure on staff should be reviewed at the Zonal level by the General Managers in consultation with the Financial Advisers and Chief Accounts Officers, as suggested later in the

Report, to check firmly any increase and effect maximum economy consistent with efficiency.

(v) Above all, accounting and management techniques on the Railways will need reorientation. The scale of operations on the Railways has increased enormously, with a corresponding increase in costs. It would be necessary for the Railways to discard outmoded techniques of checks and controls evolved in the past in a different context. Cost control cannot be secured by assessing performance in terms of expenditure incurred. It will require evaluation of output and, for this purpose, norms will have to be fixed for various operating indices. This will necessarily require far-reaching changes in accounting and budgeting techniques at the operating levels in the Zones. The Committee recognise that the Railways have a variety of assets and operations on which expenditure is incurred and that therefore the introduction of a system of performance budgeting bristles with difficulties. However, a start has been made in this respect and the Committee would like it to be considered how best the pace could be accelerated.

Receipts

Audit Paragraph

1.20. The shortfall in gross receipts occurred mainly under goods earnings (Rs. 24.91 crores).

(In crores of rupees).

Particulars	Budget	Actuals	Variations
1. Goods earnings	506·53	481·62	(—)24·91
2. Passenger earnings	227·20	229·34	(+) 2·14
3. Other earnings (including suspense and miscellaneous receipts)	61·81	58·04	(—) 3·77
4. Gross receipts	795·54	769·00	(—)26·54

1.21. The Budget Estimates of goods earnings included additional earnings of Rs. 18.10 crores expected to accrue from the proposed levy of 3 per cent supplementary charge on all freight traffic (other than iron ore and manganese ore for export, military, postal and Railway material traffic and certain high rated commodities) as also some enhancement in the rates for commodities like coal, hard coke and salt for distances beyond 800 kilometres by revision of the existing taper in the telescopic rates.

1.22. Despite sizeable shortfalls in the anticipated goods traffic during the three years 1963-64 to 1965-66, the Budget Estimate also took into account an increase of 11 million tonnes of originating traffic over 1965-66. This growth of traffic, however, did not fully materalise as the total originating revenue earning traffic actually carried during the year was 164.2 million tonnes representing an increase of only 2.2 million tonnes over that carried in the previous year, The Railways' own traffic was 37.1 million tonnes compared to 41.0 million tonnes carried in the previous year.

1.23. At the time of presenting the Revised Estimates for the year, along with the Budget for the following year in March, 1967, it was explained that according to the indications then available additional traffic was unlikely to exceed 5 million tonnes. The Revised Estimates for goods earnings were, therefore, placed at Rs. 13.53 crores less than the Budget. The actual shortfall, however, was Rs. 24.91 crores.

[Paragraph No. 2—Audit Report (Railways), 1968].

1.24. The Committee were informed that the budget estimates for 1966-67 predicted an increase of 11 million tonnes of originating traffic over the previous year. They were also informed that "the budget estimate of increase in traffic was based on the actual experience of 1964-65, the revised estimate for 1965-66 and the latest trends in that year, as well as the effect of revision of freight rates.

The rate of growth of goods traffic has been erratic:—

5.8 million tonnes in 1961-62
13.8 million tonnes in 1962-63
8.2 million tonnes in 1963-64
1.2 million tonnes in 1964-65
13.2 million tonnes in 1965-66
2.2 million tonnes in 1966-67

It was estimated on the basis of the trends of 1965-66 that in 1966-67 there would be an increase in revenue earning goods traffic of 11 million tonnes."

1.25 The Ministry of Railways furnished the following commodity-wise break-up of anticipated and actual traffic in 1966-67:

Particulars	Traffic Anticipated (In million tonnes)	Traffic Handled (In million tonnes)	Shortfall in earnings (In crores of rupees)
(1)	(2)	(3)	(4)
1. *Revenue Earning Traffic.*			
(a) Coal	49·4	46·3	14·00
(b) Raw Materials for steel plants other than coal	17·9	16·5	3·12
(c) Finished products from steel plants	7·3	6·3	3·71

(1)	(2)	(3)	(4)
(d) Cement	10·0	8·9	1·83
(e) General Goods	87·1	86·2	3·50
2. Railways' own traffic,			
(a) Coal	21·5	19·5	Freight on Railways' own traffic is not taken as a part of goods hearnings.
(b) Other materials	22·7	17·9	

1.26. The Committee desired to know the reasons for the shortfall in traffic and the reduction in lead and the extent to which goods earnings were affected by each of these factors. The Ministry in a note stated that the shortfall in revenue earning coal traffic occurred because the anticipated increase in 1966-67 over 1965-66 did not materialise and the traffic even fell marginally below the 1965-66 level. This was the result of a slackening in the demand for coal from steel plants as well as other users.

1.27. The Committee asked why there had been a progressive decline in percentage of coal production carried over the Railways since 1964-65, as shown in "A Review of the performance of Indian Government Railways." The Ministry in a note have stated that during the years 1965-66 and 1966-67 there had been a marked drop in the movement of coal by rail-*cum*-sea route (.72 m.t. in1966-67 against 1.49 m.t. in 1964-65) due to less availability of colliers. This traffic being taken into account twice in calculating the rail movement—once from colliery to the loading port and again from the unloading port to destination—any decrease in this traffic would also generally have twice the effect on reduction in the percentage of movement of rail to the overall production. The increase in pithead stocks at the end of 1966-67 to the extent of 1.17 m.t. over the year 1965-66 also contributed to the drop in the percentage of rail movement to production in 1966-67 as compared with 1965-66.

A substantial quantity of coal was also consumed by collieries themselves and by some power-houses, washeries and other industries which did not require rail transport at all. Some of these projects were

brought into commission during these years and others had their expansion programmes executed during this period, which also affected the percentage of rail movements to overall production.

1.28 The Committee further enquired whether the Ministry took note of this position while framing the estimates for earnings on account of coal traffic and if so, on what basis an increase of traffic of 2.9 million tonnes for 1966-67 was anticipated. The Ministry in a note have stated that for 1966-67, it was anticipated that the originating revenue earning coal would be 49.4 million tonnes—an increase of 3.8 million tonnes over the revised estimate for 1965-66 (The figure of 2.9 million tonnes being exclusive of coal for steel plants). This assessment was made after obtaining forecasts from other Ministries and after heavily discounting some of them.

1.29. The Committee desired to know what action had been taken or was proposed to be taken to check overestimation of coal traffic to be moved by rail. They were informed by the Ministry that according to the new strategy of planning, a Working Group had been set up to assess the requirements of rail transport in the Fourth Plan. The Planning Commission and all the economic Ministries, in addition to the M.M.T.C. and the Railway Ministry, were represented on this Group. It was the function of the Group jointly to examine critically the demand and production estimates of all the major commodities, including coal, developed by other Ministries|Working Group, and to evolve rail transport requirements therefrom taking all the relevant factors, including the Railways' own empirical experience, into account. The Committee were also informed that the Railways' annual traffic estimates were being kept under regular review—every quarter or so—by an inter-Ministerial Group functioning under the Planning Commission. Actual trends of movement of all major commodities, including coal, were reviewed and necessary adjustments made in future forecasts.

The reduction in lead was because of a change in the pattern of movement. Coal loading in Bengal and Bihar coalfields registered a decrease while there was an increase in coal loading from the outlaying coalfields which involved a shorter lead. The Ministry further stated that in view of the telescopic nature of freight rates, it was not practicable to estimate the precise effect on earnings separately of the shortfall in traffic and the reduction in lead.

1.30. The Committee enquired why there was a shortfall in traffic in 1966-67 in respect of raw materials for steel plants and finished products from steel plants. The Ministry in a note have stated that the production of iron and steel in the major steel plants, both in the

public and private sectors, had actually dropped in 1966-67 compared with the previous year. There was also decline in demand for iron and steel materials which led to accumulation of stocks with producers. The intake of raw materials had also been correspondingly less than the anticipations in the budget estimate.

1.31. The Committee pointed out that there was a decline in wagon loading of pig iron and steel from other points since 1965-66 according to the data given in 'A Review of Performance of Indian Government Railways' (1968). The Ministry in a note have given the following explanation :—

"The figures of wagon loadings of pig iron and other iron and steel from 'other points' (other than Steel Plants) on the Broad Gauge were as under:

1964-65	186 thousands
1965-66	157 ,,
1966-67	129 ,,

The movement of pig iron and steel from points other than steel plants consists of imports of iron and steel and machinery, and secondary and tertiary movements of iron and steel which comprise mostly manufactured articles of the engineering industry. Imports of iron and steel declined from 1.19 million tonnes in 1964-65 to 0.91 million tonnes in 1965-66 and to 0.47 million tonnes in 1966-67. This accounts for a drop of about 14,000 wagons in 1965-66 (compared to 1964-65) and 22,000 wagons in 1966-67 (compared to 1965-66). Imports of machinery also declined in the two years 1965-66 and 1966-67 compared to 1964-65, as shown by the quantum index of imports of machinery and transport equipment, which came down from 161 in 1964-65 to 146 in 1965-66 and to 103 in 1966-67 (with 1958 as the base—100).

The secondary and tertiary movements of iron and steel were adversely affected by the slump in the engineering industry, the cut-back in Government orders, slack demand from consumers for certain items and stagnant exports, and the slackening of investment in 1966-67 which resulted in a fall in the demand for capital goods."

1.32. In reply to a question whether this decline in wagon loadings was taken into account by the Ministry while framing their estimates, the Ministry in a note stated:

"Pig iron and steel other than from steel plants originates piecemeal at too many points to admit of any specific assessment.

It is, therefore, taken as a part of General Goods traffic for which the assessment is made on the basis of the economic position and past trends. In view of the then prevailing economic recession, the precise dimentions of this as well as other general goods traffic could not be forecast."

1.33. The Committee pointed out that there had been a progressive decline in percentage of production of certain commodities like cement, jute manufacture, cotton manufacture etc. moved by rail. The Ministry have informed in a note that the most important cause of the reduction in the percentage of total production of certain commodities moved by rail was competition from road transport. There had been a substantial increase in the Kilometreage of roads and in the number of road trucks in the country and this increase had been much higher than the increase in the production of commodities like jute manufacture and cotton manufacture.

The percentage of rail movement of cement had dropped progressively from 93.1 per cent in 1950-51 to 80.4 per cent in 1966-67 because of the dispersal of cement industry over the different regions which had also led to a change in the pattern of movement. The increase in the average lead of cement traffic suggested that it was short distance traffic that had been diverted to other modes of transport.

The percentage of rail movement of jute manufacture declined from 31.9 per cent in 1950-51 to 23.8 per cent in 1966-67. Although the domestic off-take of jute manufacturers has been steadily going up, the quantum and proportion of rail movement had not kept pace with production, indicating some diversion to other modes of transport.

The reduction in the percentage of rail movement of cotton manufactures to total production was from 81 per cent in 1950 to 23.3 per cent in 1966-67. It was due to (i) competition from other modes of transport and (ii) increased decentralisation of the production of cloth in the country, which had led to more local consumption, involving less rail movement.

1.34. In reply to a question whether the decline in the percentage of production of the above commodities moved by rail was taken note of while framing the estimates of goods earnings in respect of these commodities. The Ministry in a note explained "The estimate of the likely movement of goods traffic in 1966-67 was prepared on the basis of the actual goods earnings for 1964-65 and the details of the tonnes originating, lead, average rate of earnings of selected commodities and the trend of performance and earnings of selected commodities and the trend of performance and earnings for the first nine months of the year 1965-66, and not on the percentage of production moved by rail."

The Ministry further stated that no detailed analysis was made in respect of general goods traffic, including jute and cotton manufacturers, as they were too numerous for individual scrutiny and estimation. As regards cement, the Ministry stated that the rate of growth of cement production came down by 1.5 per cent in 1966 over 1965 as against 9.2 per cent in 1965 over 1964. The stocks with producers also increased to 198 thousand tonnes at the end of 1966-67 from 133 thousand tonnes at the end of 1965-66.

1.35. When asked about the shortfall in general goods traffic, the Ministry in a note stated, "The assessment of general goods traffic is made on the basis of the trend and not with reference to particular commodities. At the time of framing the budget estimate for 1966-67, the actual traffic moved during the first nine months of 1965-66 showed an increase of 3 million tonnes as compared to the corresponding period of the previous year. It was, therefore, anticipated that for 1966-67 as a whole there would be an increase of 3.5 million tonnes under general goods over 1965-66. This anticipation of additional traffic, however, did not materialise due to the recession and to bandhs, hartals, and civil disturbances which adversely affected the movement of rail traffic."

1.36. The Committee desired to know the reasons for the sizeable shortfall in Railways' own traffic of coal and other materials. The Chairman, Railway Board stated that it was due to reduced constructional activities. The Committee desired to know the extent to which this factor was operative during 1966-67. The Ministry in a note stated that the shortfall in Railways' coal traffic was mostly a consequence of the total goods traffic in 1966 being at a lower level of 201.6 million tonnes against 215.9 million tonnes anticipated in the Budget. The shortfall in the other railway material was largely due to reduced construction activity on the Railways.

1.37. Asked about the extent of ticketless travel, the Chairman, Railway Board informed the Committee that they had appointed a central ticket checking squad to gauge the extent of ticketless travel. The loss calculated on the basis of sample check conducted by them was about Rs. 12 crores per year. But they felt that the loss should actually be double of that figure *i.e.* more than Rs. 25 crores instead of Rs. 12 crores, considering that the check was only a sample and covered a small percentage.

1.38. The Committee are surprised that despite the erratic growth of goods traffic since 1961-62, the Railways should have budgeted for an increase in goods traffic of 11 million tonnes during 1966-67. The actual increase in traffic that materialised was only 2.2 million tonnes or

one-fifth of the increase in traffic expected. The shortfall was mainly on account of coal, cement, general goods and steel plants traffic. The Committee have in paras 1.11, 1.19 and 1.24 of their Forty Ninth Report (Fourth Lok Sabha) already drawn attention to the need to ensure that estimates of traffic in respect of these commodities are drawn up on a realistic basis, in the light of empirical data, which should be subjected to periodical review on the basis of known and anticipated demand and production data for various commodities. The Committee hope that this will be done and that, in the process of assessment of traffic, the significant progress made in road communications and their impact on the Railways' share of goods traffic will be kept prominently in view.

1.39. The Committee note that the Railways are sustaining an estimated loss of Rs. 25 crores every year on account of ticketless travel. While this shocking evil can be eradicated only with the growth of civic consciousness among the travelling public, the Committee would like the Railways to consider in what ways the intensification of checks and the assertion of order and discipline can help to minimise the losses on this account.

Revenue Expenditure

Audit Paragraph

1.40. The break-up of the increase of Rs. 15.03 crores in the anticipated revenue expenditure is as under:—

Particulrs	Budget	Actuals	Variations
	(In crores of rupees)		
A.—Working Expenses—			
(i) Staff-Administration including Staff Welfare and Operating.	187·54	192·58	(+) 5·04
(ii) Repairs and Maintenance.	164·63	169·95	(+)5·32
(iii) Fuel.	103·78	110·17	(+) 6·39
(iv) Miscellaneous Expenses including operation other than staff and fuel, payments to worked lines and suspense.	52·91	53·05	(+) 0·14
(v) Appropriation to Depreciation Reserve Fund	100·00	100·00	..
(vi) Appropriation to Pension Fund.	13·50	13·50	..
B.—Miscellaneous Expenditure such as cost of Railway Board and its attached offices, Surveys, Audit and Subsidy paid to Branch Line Companies.	5·49	5·60	(+) 0·11
C.—Open Line Works—Revenue.	12·00	10·03	(—) 1·97
Total Revenue Expenditure	639·85	654·88	(+)15·03

1.41. The Budget Estimates of staff expenditure included Rs. 2.66 crores for the maintenance of additional track, yards and other assets expected to be brought into use during the year. The provision was fully utilised. Another Rs. 201 crores was provided for meeting the cost of additional staff required for moving the additional traffic anticipated during the year. Against this provision a saving of Rs. 1.49 crores was shown in the Appropriation Accounts due to non-operation or delay in operation of additional posts, reduced payments on account of overtime etc.

1.42. The Budget Estimates also included Rs. 1.36 crores for increased running repairs to stock in line with the anticipated increase in traffic. The actual expenditure on this account exceeded the Budget Estimates by Rs. 0.67 crore.

1.43. The Budget Estimates for cost of fuel included additional provision of Rs. 3.00 crores for the following reasons:—

(In crores of rupees)

(i) Expansion of diesel traction for moving additional traffic	1·66
(ii) Expansion of Electric traction on five Railways. . .	1·83
(iii) For increase in traffic understeam traction on certain Railways. . . .	0·53
TOTAL .	4·02
Partly counterbalanced by reduction in the consumption of coal on certain Railways owing partly to progressive substitution of steam traction by diesel traction and lower rate of consumption of coal.	1·02
Net increase .	3 00

1.44. The actual expenditure due to increased consumption of coal and diesel oil was more than the Budget Estimates by Rs. 1.80 crores, while the reduction in expenditure on the consumption of electricity was of the order of Rs. 66 lakhs only.

1.45. The above increases in working expenses which were speciafically provided for in the Budget Estimates to cope with increase in traffic adversely affected the financial results of the Railways during 1966-67 to the extent of Rs. 9.38 crores of which Rs. 2.66 crores was on the maintenance of additional track, yards and other assets. The total originating traffic (revenue and non-revneue) moved during the year was 1.4 million tonnes less than the traffic moved in the previous year.

1.46. The creation of new Zonal Railway with effect from 2nd October, 1966 resulted in further additional expenditure of Rs. 31 lakhs on the personnel required for the Zonal Headquarters for a period of about 6 months. Another Rs. 11 lakhs was spent on re-organisation of Personnel Branch on the South Eastern Railway.

(Paragraph No .3—Audit Report (Railways), 1968).

(i) *Expenditure related to additional traffic*

1.47. The Committee pointed out that provision totalling Rs. 9.06 crores was included in the Budget estimate specifically to meet the anticipated additional traffic and the actual expenditure was Rs. 9.38 crores. The Committee desired to know how this expenditure came to be incurred when the additional traffic did not materialise as anticipated. The Financial Commission, Railways stated "even though the anticipation of additional traffic did not materialise, the major part of the expenditure on maintenance had to be incurred. There was no way of avoiding it. If we have more line capacity and more wagons, it has to be incurred. There are many items coming under that category, e.g., residential buildings; over-bridges; under bridges, roads, etc., on which the expenditure on maintenance cannot be regulated in accordance with increase in traffic, whether it materialises or not. On staff also, some operating staff had to be there although the traffic did not materialise. So far as coal is concerned, there has been an increase and the reason for that has been because of the extension of utilisation electrification has been done, some of the steam traction has to be put on subsidiary branch lines where the consumption of coal proportionate to the amount of houlage is more because they are not fast services. Also there has been a reduction in the higher grades of coal."

(ii) *Fuel Consumption*

1.48. From the profit and loss accounts of the Indian Railways, the following position about fuel consumption emerges:—

(In crores of rupees)

	1964-65	1965-66	1966-67	1967-68
	92·07	101·05	110·17	127·82
	542·92	598·92	654·88	708·36

It will be seen that the fuel bill of the Railways has been steadily increasing and amounted to about 20 per cent of the total working expenses.

1.49. The following table gives the figures of coal consumption on the Railways:–

Year	Quantity of coal consumed (in million tons)	Cost of coal consumed. (in crores of rupees)
1964-65	17·26	85·52
1965-66	17·27	86·28
1966-67	17·03	89·39
1967-68	16·76	97·46

It will be seen that the coal bill progressively increased. The quantum of coal consumption also went up; this occurred despite a reduction in the number of steam locomotives from 10.613 in 1966 to 10.226 in 1968.

1.50. The Committee asked for data regarding coal consumption per thousand gross tonnes kilometre for the years 1960-61, 1965-66 and 1966-67, indicating the reasons for increase in expenditure if any and the steps taken to effect economy. The Ministry furnished the following note;

> "*Passenger and Proportion of Mixed*: The rate of coal consumption on this service on the Broad Gauge increase from 52.5 kg./1000 GTK in 1960-61 to 54.5 Kg./1000 GTK in 1965-66 and 56.2 Kg./1000 GTK in 1966-67. On the M.G. system the rate of coal consumption had increased from 57.5 Kg./1000 GTK in 1960-61 to 57.6 Kg./1000 GTK in 1965-66 and 58.2 Kg./1000 GTK in 1966-67.
>
> The increase in the rate of coal consumption on passenger service during 1965-66 and 1966-67 is mainly due to the reduction in the supply of selected grade coals, from 26.6 per cent to the total supplies in 1960-61 to 13.2 per cent in 1965-66 and to 11.7 per cent in 1966-67.

Goods and Proportion of Mixed: On the Broad Gauge, the rate of coal consumption had increased from 41.1 Kg./1000 GTK in 1960-61 to 50.3 Kg./1000 GTK in 1955-66 and to 53.3 Kg./1000 GTK in 1966-67. On the metre gauge the rate of coal consumption had increased to 55.7 Kg./1000 GTK in 1965-66 and to 56.9 Kg./1000 GTK in 1966-67 from 52.3 Kg./1000 GTK in 1960-61.

The increase in the rate of coal consumption on the Goods and proportion of Mixed Service is mainly attributed to the dieselisation and electrification of through goods services. With the operation of mixed tractions on the same sections, faster and heavier trains were hauled by diesel and electric locos while steam locos were relegated to slow and light trains.

The coal utilisation efficiency as given by the figure of Kgs. per 1000 GTK is not an absolute figure but a relative one, which is influenced not only by changes in grades of coal utilised but also by variation in the gross load and the kilometres run. While the coal consumption is proportional to the kilometres run under constant conditions of load etc., the steam locomotive is particularly sensitive to part load working. Trials with varying load showed that coal consumption does not drop at the same rate as the load; in other words consumption rate does not reduce *pro rata* with the drop in load and *vice-versa*. The increase in average speed of goods trains in 1965-66 and 1966-67 as compared to 1960-61 resulted in more unproductive engine hours on road with consequent increase in coal consumption rate."

1.51. The Committee are informed that various steps have been undertaken by the Railways to achieve real economy in coal consumption. There is a full-fledged Fuel Control Organisation on each Zonal Railway under the overall charge of a senior scale officer with Senior and Junior Fuel Inspectors under him. The inspectorial staff have been linked with the number of steam locos based on each Railway.

1.52. The Committee understand that a Study Team on coal consumption appointed by the Railway Board studied the various factors influencing specific coal consumption and had quantified the effects of change in train loads and speeds on specific coal consumption. The report of the Study was forwarded to the Zonal Railways for implementing the various recommendations contained in it and to furnish quarterly progress reports The main conclusions/recommendations contained in the Report of the Study Team on Coal Consumption are as follows:

(1) The increase in number of passenger (steam) locos on South Eastern and Northern Railways has been disproportionately

large and the Railways should investigate the reasons and take remedial measures."

(2) "Central and Northern Railways should undertake a detailed and critical review of shunting locomotive requirements as there appears to be scope for reduction in their numbers."

(3) "With reduction in goods traffic handled by steam locos, the reduction in number of locos has been slower on Northern Railway than on Eastern, South Eastern and Central Railways. Therefore, a detailed investigation of this aspect by Northern Railway is recommended."

(4) "On Northern Railway, the specific Fuel Consumption Index of 'all passenger' service rose very sharply from 105 in 1965-66 to 142.7 in 1966-67. There are no apparent reasons for this increase."

(5) "On Eastern, South Eastern and Northern Railway, there has been drop in productive utilisation of loco hours (goods) made available to traffic. This has accounted for 7.34 per cent 2.2 per cent and 2.94 per cent respectively of total coal consumption on goods services. Besides causing coal wastage, this is causing loco wastage also and therefore, there is much scope for economy. On Central Railway, there has been marginal improvement."

(6) "A study of running of shunting and van goods trains be undertaken with a view to find out a pattern of working that is most economical from all points of view."

(7) "In case of Central Railway, it has been possible to deduce reasons for only 40.6 per cent of the additional coal consumption in 1966-67 due to real rise in specific fuel consumption compared to 1961-62. With train loads and utilisation of locomotives while in traffic use improving during this period, the reasons for increase in specific fuel consumption to the extent it has actually occurred remains unexplained. The Central Railway should undertake a detailed study to find out the causes simultaneously checking their train data figures."

1.53. The Committee note from the report that in arriving at these conclusions, the Study Group made due allowance for the effects of train speeds, train loads and the use of lower grades, of coal, all of which had been represented by the Railway Board as factors responsible for increased expenditure on coal consumption.

1.54. The Committee enquired what the amount of loss of coal due to pilferage was. The Railway Board have in a note furnished the following information:

Year	Value of property		Net Loss (in Rs.)
	Pilferred (in Rs.)	Recovered (in Rs.)	
1965-66	4,38,098	32,299	4,05,799
1966-67	10,87,777	41,598	10,46,179
1967-68	15,30,603	81,538	14,49,065

1.55. The Committee were also informed that the Railways whose performance had not been analysed by the Study Team had been asked to conduct similar studies and submit results thereof also to the Railway Board.

(iii) Closure of block|crossing stations

1.56. The Committee drew attention to a study conducted by the Efficiency Bureau which indicated that block|crossing stations on certain branch lines could be closed down. In a note or this point, the Railway Board have stated that "final decision has been taken to close or downgrade 66 block|crossing stations on 35 sections in all. This will result in a recurring annual saving estimated at about Rs. 9.14 lakhs The feasibility of closing down or downgrading block|crossing stations on 63 more sections is being examined by the Zonal Railways."

(iv) *Introduction of 'one engine only' system*

1.57. The Committee pointed out that the study of the Efficiency Bureau also indicated that in branch line sections, where traffic was light, the introduction of 'one engine only' system would bring about economy. In a note on this point, the Railway Board have stated that "the 'one engine only' system has so far been introduced on 39 sections in all with an estimated annual recurring saving of about Rs. 3.85 lakhs. This system of train working is expected to be introduced on 7 more sections."

(v) Review of Staff strength in the Railways

1.58. The Committee enquired whether the Efficiency Bureau had reviewed the staff strength in special organisations like Metric Cells, Public Relations Cell and Flood Control Organisation. It has been stated by the Railway Board that "the Efficiency Bureau has conducted a review

of the staff strength in the Metric Cells and Public Relations Cells of the Zonal Railways with the following results:—

	Approximate No. of Staff non-gazetted) recommended for reduction	No. of staff (non-gazetted) actually surrendered	Economy achieved consequent on reduction (per annum)	Remarks
Metric Cells	224	176	Approximately. Rs. 6 lakhs	48 posts have been recommended for surrender by end of 1968.
Public Relations Organisations	50	..	..	The E.B.'s recommendation are being examined by the Railways."

1.59. The Committee pointed out that according to the statistics given in the Report of the Railway Board for 1966-67, the total expenditure on class IV establishment, taking open line and construction during 1965-66, was Rs. 129.16 crores or over one-third of the Railways total wage bill of Rs. 339 crores. The Committee enquired whether any norms had been evolved for the fixation of strength of class IV establishment on open line and construction and whether the Railway Board had taken steps to enforce the norms strictly and if so, what was the economy achieved. The Ministry in a note stated: "Yardsticks have not been laid down by the Railway Board for the fixation of strength of Class IV establishment either on open line or on construction. The Railway Administrations concerned have prescribed yardsticks for certain categories, whenever considered necessary and feasible, having regard to the local conditions of working. Yardsticks for determining the strength of certain categories of staff are thus in vogue. Where, however such yardsticks do not exist, the strength of staff is determined from time to time, on the basis of actual work-load and other attendant factors.

1.60. The Railway Board have issued instructions to all concerned in December, 1967, laying down a uniform yardstick for provision of Class IV staff in offices. As these orders were issued only last year, the full

impact of the economy achieved in terms of posts surrendered would be known only after some time. The Railways have been asked to intimate the number of posts already surrendered and the number estimated to be surrendered by the implementation of the above orders and the P.A.C. would be advised of the position shortly."

1.61. When asked to indicate the economy actually achieved as a result of review reported to have been carried out by Financial Adviser and Chief Accounts Officers of each Zonal Railway the Ministry in a note stated, "on representations being made by the Railways the earlier instructions regarding review of the staff strength to be undertaken by the Financial Adviser and Chief Accounts Officers of the Railways were modified and instead they were asked to keep a special watch on the trends of staff strength only for the departments for which disproportionate increases are noticed. For such, departments, they have been asked to undertake special reviews so that the trends of increase could be brought under control. It is expected that these reviews would result in arresting any unhealthy tendencies of staff increase."

1.62. The Chairman, Railway Board informed the Committee in evidence, "So far as the general question is concerned, for the first time we have come to a stage when we have halted the increase in staff. We have stopped recruitment in most of the categories. As you know, the policy is not to retrench any body.....Therefore, by the process of retirement, there has been some slight reduction in staff instead of the usual increase in staff. This is the result that we have achieved as a first step."

1.63. The following table gives the percentage expenditure on staff in the Headquarters of the various Zonal Railways during 1965-66 in relation to the total expenditure of that Railway, as also the financial results of each of the Railways:—

	Percentage	Financial results
		(In crores)
Southern Railway	5·99%	—6·49
Western Railway	6· 2%	+13·50
South Eastern Railway	7· 91%	+15·47
Northeast Frontier Railway	9· 7%	—2·22
Central Railway	8· 55%	+15·93
Northern Raulway	8 %	—3·83
North Eastern Railway	11· 8%	—9·91
Eastern Railway	6 %	+5·17
South Central Railway	6· 1%	

Note : (+) profit, (—) loss.

1.64. The Committee were informed that the expenditure in the case of North Eastern, Northeast Frontier, Central and South Eastern Railways were relatively higher for the following reasons:

> "The North Eastern and Northeast Frontier Railways are organised on a Departmental basis whereas the rest of the Railways are organistd on a Divisional basis. A large volume of work which is normally dealt with at divicional headquarters on a Railway worked on the divisional system, is done at the headquarters level on a railway organised on the departmental basis. This accounts for relatively higher percentage of expenditure on the North Eastern and Northeast Frontier Railways.
>
> As regards the Central and South Eastern Railways, the causes of the higher percentage of expenditure are being investigated and steps will be taken to bring down expenditure, wherever possible."

1.65. The Committee are exercised about the mounting fuel bill of the Railways which increased by over a third from Rs. 92.07 crores in 1964-65 to Rs. 127.82 crores in 1967-68. One major item of fuel was coal and the coal Bill increased from Rs. 85.52 crores in 1964-65 to Rs. 97.46 crores in 1967-68. The cost increased partly due to the increase in the price of coal, but there was also an increase in consumption, which occurred despite a reduction in the steam locomotive fleet. It has been stated by the Railway Board that increased use of lower grades of coal coupled with a drop in load and speed of trains hauled by steam locomotives were responsible for the extra coal consumption. However, an analysis of the problem by a Study Group of the Railway Board showed that there was substantial scope for economies. The following points highlighted in the Study Group's Report deserve, in the Committee's opinion, detailed follow-up action:

(i) "The drop in productive utilisation of loco hours made available to traffic" in some Railways.

(ii) "The disproportionately large" increase in passenger locomotives in some of the Railways.

(iii) The "slow" pace of reduction of steam locomotives, in some of the Railways, with the reduction in goods traffic hauled by steam traction.

(iv) "The disproportionate increase in coal consumption on shunting engines."

1.66. Apart from the scope for economies, no less important, in the Committee's view, is the need to check losses on account of theft by intensifying vigilance on the part of the Railway Protection Force.

1.67. There is an equally vital need to keep a check on the consumption of diesel oil and P.O.L. With the increasing pace of dieselisation, these items will account for a progressively increasing proportion of the Railways' fuel bill.

1.68. The Committee observe that the total fuel bill of the Railways amounts on an average to a fifth of their working expenses. There is, therefore, imperative need for the Railway Board to keep this item under continuous high-level review. The Financial Advisers attached to the various Zonal Railways should also keep tab on the position in this regard.

1.69. In view of the deficits in the working results of the Railways, there is need to enforce economies in other spheres also. A study by the Efficiency Bureau indicated that operational economies could be achieved through the closure of certain block/crossing stations and the introduction of 'one engine only' system in sections where traffic is light. The Committee note that some of the recommendations made by the Efficiency Bureau in this respect have been implemented and others are under consideration. The Committee would like early action to be taken in this regard. The Railway Board and the Zonal Railways should also assess the scope for economy in expenditure on staff, on the basis of studies of special organisations in Railways conducted by the Efficiency Bureau and the special review at present stated to be under way by the Financial Advisers of Zonal Railways.

1.70. The comparative evaluation at page 50 of their Report would indicate that the staff position in some of the Railways like the Central and South Eastern Railway would bear closer scrutiny. In fact the Railway Board should carry out periodical reviews of the working of the various Railways, not only from the point of view of staff but from the point of view of overall financial results so that timely action could be taken to arrest any deterioration in performance.

II

PURCHASE AND STORES

Accumulation of scrap on Railways

Audit Paragraph

2.1. In para 12 of the Audit Report, Railways, 1968, it was reported that, over the years 1957-58 to 1961-62, there had been a steady increase in the percentage of the value of surplus stores to that of total stores balances. The Ministry of Railways (Railway Board) had then explained that in the case of some of the Railways, surplus stores included ferrous scrap which could not be disposed of because of a ban imposed on their disposal, and that the position was likely to improve on account of the lifting of the ban, decontrol of certain categories of ferrous scrap and large demand for such scrap for defence purposes.

2.2. The position of accumulation of scrap on Railways did not appreciably improve despite the removal of restrictions on disposal of ferrous scrap in November, 1962. The scrap at the end of the year under review was valued at Rs. 10.81.

crores or 8 per cent of the Stores balance of Rs. 135 crores.

(Amounts in crores of rupees)

At the end of Year	Total stores Balance	Value of scrap			Percentage of scrap to total stores balance
		Ordinary	Surplus	Total	
1960-61	85	*	*	6·23	7·3
1961-62	85	*	*	7·16	8·4
1962-63	102	4·40	3·34	7·74	7·6
963-64	126	5·03	3·42	8·45	6·7
1964-65	147	5·61	2·73	8·34	5·7
1965-66	134	5·91	3·47	9·38	7·0
966-67	136	7·13	3·68	10·81	8·0

*Break-up not available

(Paragraph No. 12.—Audit Report (Railways), 1968).

2.3. The Committee were informed that 'scrap materials flow from line, Construction Projects and workshops to the various stores scrap depots—about 2 or 3 of which are situated on each of the zonal Railway Administrations. These are sorted and segregated under headings specified for each Railway by the zonal Administration in their respective 'Schedules of Scrap' and all such scrap is put up for physical examination periodically by a Committee of officers, representing the various technical consuming departments of the Railways, with a view to exploring all the possibilities for reclamation, conversion or use as such, of these scrap material to the best advantage of the Railway. The scrap finally declared by the Committee as economically unusable and surplus to the requirements of the particular Railway is disposed of through the medium, normally, of public auctions|tenders."

"Most of the disposals to trade is by auction. As the prices obtained in auction are with reference to particular lots and depend on the physical condition and content of such lots, lots once auctioned cannot be added to with fresh receipts until auction deliveries which, (because of physical considerations of volume and weight *vis-a-vis* the handling and transport facilities economically available) extend to an average period of 2 to 3 months. Because of this limitation it has been necessary in practice to 'close' a particular yard in the depot after survey and accommodate fresh receipts in a different yard in the same depot which in turn would be 'closed' after the contents of the first yard are disposed of and physical deliveries are completed.

The steps taken to maximise internal utilisation of scrap and dispose of the balances of such scrap as were not required by the Railways were explained as under:

(i) *Ferrous Scrap.*

"The Ministry of Railways, during the closing years of the Second Plan, considered it desirable that the arisings of Ferrous Scrap on Railways should be used to the best advantage (thereby conserving good steel instead of being sold in the open market. As a first step, the Railways were instructed in 1957 to stop sale of all scrap including condemned rolling stock excepting.

(a) Sale against contracts for manufacture of C.I. sleepers for Railways.

(b) Sale to Ordnance Factories. These restrictions were imposed after effecting spot checks of important scrap depots and after having necessary discussions on the indigenous availability of requisite capacity

for conversion of scrap into finished steel with steel foundries as also the Iron and Steel Controller."

"Arrangements were made to allot Melting Scrap through the Iron and Steeel Controller to Ordnance Factories and furnance owners engaged in the manufacture of Railway Stores. Besides melting scrap, convérsion of scrap rails into tie-bars and scrap axles into rounds and scrap tyres into spring steel flats, by re-rolling was also undertaken. The Director General, Supplies and Disposals at the instance of the Ministry of Railways entered into contracts with firms for supply to Railways of tie-bars manufactured from steel scrap which was arranged to be supplied to them by the Railway Administrations. Messrs. Hindustan Steel Limited were also supplied steel scrap for use in steel making by cutting up condemned wagons and under-frame."

The accumulations of ferrous scrap had by end of 1961-62 reached a level of about 18 months' arisings despite the intensive and sustained drive to utilise scrap for Railways' own needs of finished steel. The board therefore issued instructions to all the Railways Administrations in June, 1962 that ferrous scrap which remained surplus even after its maximum utilisation for Railways' own purposes in the manner that had been specified in detail from time to time may be offered to the Iron and Steel Controller for disposal. The distribution control exercised by the Board was also removed and the Railways were authorised to release in consultation with Iron and Steel Controller the scrap to manufacturers of Railway Stores after they had ensured that the scrap to released was utilised only for Railway purposes. During the period 1955-56 to 1957-58 the average annual utilisation was to the extent of 1,45,000 tons, whereas during 1958-59 to 1960-61 this rose to 1,79,000 tons."

'Based on the findings of the Scrap Committee set up by the Government in July, 1961 who submitted its report in March, 1962 who submitted its report in March, 1962. the Ministry of Steel and Heavy Industries (Department of Iron and steel) decided in August, 1962, that price and distribution control on almost all categories of scrap generated on the Railways other than re-rollable scrap should be removed'

"The Ministry decided that such of decontrolled items of scrap as could not be utilised for Railways own purposes should be disposed of by auction/tender and the pace of such disposals should be stepped up to the maximum possible extent to reduce the accumulations of ferrous scrap which by the end of 1961-62 had reached a level of about 18 months' arising owing to the fact that despite the intensive and sustained drive to re-utilise scrap for Railways own purposes the pace of

utilisation had not been able to catch up with, leave alone, exceed the pace of arisings."

"As a result of the price control on re-rollable scrap being removed by the Ministry of Steel in July, 1968, retaining, however, distribution control restricting the sale to only re-rollers, a decision was taken by the Ministry of Railways in consultation with the Ministry of Steel and the using interests involved, on a formula by which two-thirds of the arising would be sold to the 'registered' Re-rollers and the rest to the 'unregistered' re-rollers."

"In view of the fact that by the end of 1963-64 contrary to earlier expectations the balances had declind to only 14 months' arisings a rview was conducted by the Railway Board and keeping in view the various physical limitations, the target of reducing their ferrous scrap balance equivalent down to 6 months arisings in physical terms, was set for achievement by the Railways."

"As a result of the further representation made by the Ministry of Railways to the Ministry of Steel that sale of re-rollable scrap only to re-rollers did not yield a sufficient off-take resulting in accumulations of stock, the Ministry of Steel agreed for free sale of Re-rollable scrap to all parties."

"Since the year 1962-63 the balance of ferrous crap have progressively dwindled from 17 months' at the end of 1962-63 to 9 months' arisings at the end of 1967-68."

(ii) *Non-ferrous scrap*

"Non-ferrous scraps generated on the Railways have been broadly classified under the following five headings:

(*i*) Bronze scrap lump type of known composition.	Accounting for roughly 40 to 50*
(*ii*) Bronze borings straight type ferrous drilling brass drillings.	Accounting for roug hly 14%*
(*iii*) Boring mixed type (mixed with white metal)	Accounting for roughly 15-17%*
(*iv*) All miscellaneous scrap; and	Accounting for 15-20%*
(*v*) Non-ferrous residues and foundry dust.	Accounting for 5 to 10%*

*Percentage of the total arisings which are of the orde rof 10 to 15 thousands tonnes per year.

From the year 1957 onwards, a ban had been imposed by the Railway Board on disposal of (i) and (ii) above. The policy has been to utilise all these arisings by re-melting for Railways own use thus reducing the Railways requirements of virgin metals which have even now, and for the foreseeable future, to be imported. As a result of this policy, it has been possible to utilise all the arisings under these two headings. The balances, therefore, under these headings are marginal accounting for about 1 to 2 months arising under (i) and about 3 to 4 months arising under (ii).

Till the end of 1960 the policy laid down by the Ministry had been to retain a small reserve of about 3 to 6 months requirements under heading (iii) to (v) and dispose of the rest either by outright sale or by conversion contracts let out to private industry wherever technically feasible. Towards the end of 1960 Railways were permitted to dispose of their entire holdings under these three headings as by that time the possibilities of reuse had been fully explored and exhausted. This policy is even now current."

2.4. During evidence, the Committee enquired why the scrap holdings had been progressively going up, both absolutely and in terms of the total stores balances. The representative of the Ministry stated: "The accumulation of scrap may be looked at from the point of view of arisings also. Our arisings went up from 2.1 lakh metric tons in 1960-61 to 4.01 lakh metric tons in 1966-67. During this period, our disposals have also increased. In 1961-62, we had 18 months of arising in stock as scrap. This has been reduced in 1966-67 to 11 months and in 1967-68 to 9 months." The Committee desired to know the balances of ferrous scrap at the end of 1964-65, 1965-66 and 1966-67 in terms of arisings and in absolute terms. The representative of the Ministry furnished the following information:

Year	Arisings	Balance	Accumulation
1964-65	3·12 lakh M/tons	3·07 lakh M/tons	12 months
1965-66	4·08 lakh M/tons	3·49 lakh M/tons	10 months
1966-67	4·01 lakh M/tons	3·60 lakh M/tons	11 months
1967-68	4·49 lakh M/tons	3·23 lakh M/tons	9 months

2.5. The Committee asked for information about the number of auctions held for disposal of scrap and the quantities disposed of in these auctions. The information furnished in this regard is tabulated below:

Year	No. of autions held	Quantity disposed of	
		Ferrous and Non-ferrous (in M/tons)	Misc. scrap (value in lakhs of rupees)
1960-61	63	2,09,556	61·78
1961-62	39	1,82,147	48·95
1962-63	56	2,34,820	46·29
1963-64	131	2.91,052	70·00
1964-65	171	3,53,242	78·00
1965-66	185	3,85,387	87·00
1966-67	177	3,48,094	74·00
1967-68	241	4,12,198	84·62
TOTAL*		24,16,497	650·63

2.6. While the Committee note that the accumulation of scrap is being progressively controlled, they cannot help observing that there has been a steady increase in the balances of scrap both absolutely and in terms of the total stores balances. The target set by the Railways in 1963-64 was to bring down the 'holdings' of ferrous scrap which constitutes the bulk of the scrap accumulations, to six months' 'arisings' but the balance at the end of 1967-68 amounted to nine months' arisings. Such an accumulation causes congestion in the yard and also blocks substantial income which the Railways could get by its disposal. The Railways should take steps to accelerate the disposal of scrap, after making full utilisation for Railway purposes.

Loss due to non-utilisation of ferrous scrap available with the Railways: Audit Paragraph

2.7. In view of the shortage of pig iron the Ministry of Railways (Railway Board) had decided, while placing orders for Cast Iron Sleepers on private manufacturers for the year 1964-65, to restrict the

*Besides the quantity disposed in the auctions for figures also include the disposal through all other sources including the quantity internally used by the Railways.

use of pig iron to 75 per cent of the weight of sleepers and use scrap to the extent of 25 per cent. The scrap was to be supplied free by the Railways and where Railway scrap was not available the private manufacturers were to use their own scrap for which a price of Rs. 400 per tonne was agreed upon. Orders for 1965-66 were also placed on the same basis.

2.8. At the time of placing the orders for 1964-65 the scrap available with the Railways for the purpose of manufacture of Cast Iron Sleepers was assessed at 30,000 tonnes. The Railway Board, however, placed orders for sleepers utilising only 22,187 tonnes and for the remaining sleepers 77,750 tonnes of manufacturers' scrap was utilised. However, the assessment of 30,000 tonnes was also incorrect as it did not take into account substantial quantities of scrap released from track renewals etc., lying with the engineering subordinates. Further, in response to a directive issued by the Railway Board in April, 1963, the Adminstrations were submitting to the Railway Board quarterly statements of ferrous scrap available with them, in order that the latter may keep a watch on the disposal of the scrap forming part of the stores balance of the Railways. According to these statements the Grade I scrap available with the Railways as on 31st March, 1964, that is, prior to the placement of orders for 1964-65 was 36,821 tonnes.* As substantial quantities of scrap were arising every year from the track renewal and other programmes undertaken by the Railways more sleepers could have been ordered with Railway Scrap than was actually done.

2.9. The arisings of scrap during 1964-65 were 1,03,156 tonnes and the balance of Grade I scrap available with the Railways as on 31st March, 1965 that is prior to the placement of orders for 1965-66 was 51,432 tonnes*. But a quantity of only 27,000 tonnes was taken into account for placing the orders for 1965-66. The remaining sleepers were ordered with manufacturers' scraps. The position regarding the availability of more scrap than earlier assessed was brought to the notice of the Railway Board in the later half of 1965 by which time bulk of the orders for 1965-66 were finalised with manufacturers' scrap.

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*The balances do not take into account the scrap the engineering subordinates of the Railways as the relevant figures are not available. If the quantities pertaining to the central Railways, which are available, are included the balances would be as follows :—

As on :—

31-3-1964	42,596 tonnes.
31-3-1965	57,082 tonnes
31-3-1966	65,868 tonnes
31-3-1967	73,451 tonnes

However, the Railway Board could finalise the remaining orders with Railway scrap, thus utilising a total of 34,110 tonnes of scrap on orders placed upto 31st March, 1966.

2.10. As no fresh orders were proposed for the year 1966-67, instructions were issued to the Railways in September, 1966 to dispose of two thirds of scrap accumulations before December, 1966 in orders to reduce the stores balance. The Grade I scrap available with the Railways as on 31st March, 1966 was 59,068 tonnes.* About 34,000 tonnes of Railway scrap was then auctioned in 1966-67 at rates ranging between Rs. 219 and Rs. 270 per tonne. Even after adding the freight charges at Public Tariff rates which the Railways have to bear in delivering the scrap to the foundries from the scrap depots, the sale value would have been between Rs. 230 and Rs. 330, that is much less than Rs. 400 per tonne which the Railways had to pay for manufacturers' scrap. The total quantity of manufacturers' scrap paid for at the rate of Rs. 100 per tonne against 1965-66 contracts was 27,400 tonnes. The scrap available with the Railways as on 31st March, 1967, that is, after the auction of the above quantity, was 60,811 tonnes.*

2.11. Thus, on account of the failure to properly take into account the scrap available with the Railways, scrap which could have been utilised in the manufacture of sleepers was actually sold subsequently at rates lower than those paid to the private manufacturers for their scrap entailing an estimated loss of more than Rs. 10 lakhs. The loss would work out to a higher figure if the scrap available with the engineering subordinates is taken into account.

2.12. The Ministry of Railways (Railway Board) explained (February, 1968) that the scrap available as on 31st March of any year could not be taken as being available for issue against sleeper contracts of the ensuing year as 30 to 40 thousand tonnes should be reserved as a minimum for issue to the Railway workshops. It was further explained that the arisings during the course of the year would normally be available after the monsoon.

[Paragraph No. 15, Audit Report (Railways) 1968.]

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* The balances do not take into account the scrap with the engineering subordinates of the Railways as the relevant figures are not available. If the quantities pertaining to the central Railway, which are available, are included, the balances would be as follows :

As on :—	
31-3-1954	42,596 tonnes
31-3-1955	57,082 tonnes
31-3-1956	65,858 tonnes
31-3-1957	73,451 tonnes

2.13. The Committee enquired on what basis the scrap available for supply to contractors was assessed. The Member (Engineering) stated: "The quantity of scrap which can be made available to the manufacturers of cast iron sleepers depends on the quantity available with the Railways and also the arisings and consumption in the railway workshops. These three factors have got to be taken into account before the quantity that can be made available to the manufacturers of cast iron sleepers can be decided upon." The position in this regard was further elaborated as under:

> "For the purpose of arriving at the total quantity available for issue to C.I. sleeper manufacturers during a particular year, the railways generally take into account the total of opening balances at the commencement of the year and arisings expected during the course of the next year, less quantity of scrap required for their own use in railway workshops etc. Since the arising of cast iron scrap during the course of the year takes place during the second-half of the year as the renewals mostly take place after the monsoons, the railways retain cast iron scrap sufficient to feed the railway workshops etc. for about 5-6 months. The balance is advised to the Railway Board for issue to C.I. sleeper manufacturers. Also as the orders for the cast iron sleepers are placed early in the beginning of the year and scrap is required to be issued to the C.I. sleeper manufacturers immediately after they start supplying sleepers, the C.I. scrap expected to be available at the latter part of the year is not taken into account."

2.14. The Committee pointed out that the reutrns regarding scrap submitted by the Railways to the Railway Board did not take note of the balance with the engineering subordinates. They were informed that these balances needed "inspection, survey and classification." It was also stated during evidence that "from the time scrap is released and taken out to the station no account can be kept. Only when it is sorted out by the stores department and taken on the books accounts are available. The Railway Board gets the information only when it is taken on the books." The Committee pointed out that no note at all had been taken of the balances available with the engineering subordinates. They enquired whether survey and inspection was in arrears and if not, why the balances were not reported at all. The Ministry of Railways have stated in a note:

> "The position is that the scrap is released from the track all along the line and it is only after they are erected and trained out that they can be inspected, classified and then

transferred to the stores depots. Till such time as the classification is not finalised the entire released material which may be comprising of crap and serviceable sleepers is retained by the engineering subordinates and since it is not known as to how much quantity in the released material would finally come out as scrap, it cannot be reported to the stores depot. This inspection and classification has to be carried out very carefully as otherwise in the egerness to transfer scrap to the stores, there should not be chances for serviceable materials getting mixed up."

"It may, however, be mentioned that some time is taken in carrying out inspection, survey and classification of the released material and then in the availability of wagons for despatching the scrap to the stores depot. The position is same on all the railways. The re-classification of the released material is a continuous process on the railways and it is done as early as possible. No targets as such are laid down within which the material has to be re-classified after survey and inspection, since the time lag for inspection and classification depends upon each locality, the intensity of train services, distance from stores depots etc."

2.15. Taking up the point mentioned by the witness that part of the balances as reported by the Railways had to be earmarked for consumption in the Railway Workshops, the Committee asked for data about consumption of C.I. scrap in the Railways. The information furnished in this regard is tabulated below:—

(Figures in M/Tons)

Railway	1961-62	1962-63	1963-64	1964-65	1965-66
Eastern . .	11,304	8,723	9,383	12,365	81,912
Northern . .	4,195	4,685	7,605	10,875	8,327
Western . .	3,503	5,116	7,174	6,439	4,717
Southern . .	Not available.	7,594	7,230	9,401	7,625
South Eastern .	Nil	546	63	998	Nil
TOTAL . .	*21,271	30,973	37,315	45,760	36,271

*The quantity utilised in Southern Railway Workshop is not available.

2.16. The Committee were also provided with data about arisings and balances of scrap every quarter between 1961-62 and 1965-66. The data is summarised below:—

Year	Arisings				Closing Balances			
	1st Qr.	2nd Qr.	3rd Qr.	4th Ar.	1st Qr.	2nd Qr.	3rd Qr.	4th Qr.
1961-62	10314	7826	6922	8519	35809	37131	35040	35425
1962-63	8440	8453	11937	14518	33907	29600	27492	21544
1963-64	10562	13518	19157	19120	22047	23852	30753	29834
1964-65	18544	27745	24141	39389	31417	41244	45681	40627
1965-66	19966	15160	25679	15417	47160	48534	54296	48015

Note: (i) The balances with Central Railway are not included.

(ii) The balances with engineering subordinates are not included.

2.17. The Committee observe that despite the consumption of scrap in the Railway Workshops, the 'arisings' were on such a scale that balances of scrap at the end of every quarter progressively increased. During evidence the Committee also pointed out to the representatives of the Railway Board that the data regarding arisings did not bear out their contention that arisings took place mostly in the latter half of the year.

2.18. Referring to the accumulation of scrap, the Member (Engineering) stated during evidence: "The quantity of scrap with the Railways has been going up. It is rather unfortunate that we have not been able to dispose of this quantity but we were making an effort to dispose of it and supply it to the manufacturers of cast iron sleepers this year. Last year also we supplied large quantities." The Committee pointed out that as against 36,821 tonnes available as at the end of 1963-64 and 51,432 tonnes available at the end of 1964-65, the Railway Board's estimation of what would be available for issue in 1964-65 and 1965-66 to the contractors was only 22,187 tonnes and 27,000 tonnes respectively. They enquired why the Railways did not increase the quantities for issue to contractors subsequently, in the course of the year. In fact, the accumulation of scrap and the under-estimation of quantities forced the Railway Administration to sell substantial quantities by public auction

at rates ranging from Rs. 219 per tonne to Rs. 270 per tonne, when, with better planning, they could well have been issued to the contractors who were charging the Railways Rs. 400 per tonne for use of their (contractors) scrap. The witness explained that in 1964-65 "we did not anticipate enough arisings. So we allowed the contractors to utilise their own scrap." So far as 1965-66 was concerned, the witness stated: "We only planned for 27,000 tonnes but later on we found that we had more scrap; so, we increased this quantity to 34,000 tonnes and later on actually to 44,000 tonnes." The Financial Commissioner (Railways) stated in reply to a further question on this point that "it is a fact" that "there was not good enough coordination between the Railways' reporting the availability of cast iron scrap and our information of their workshops requirements.... in order to utilise the maximum amount which could be utilised. They (the Railway Administration) were keeping unnecessary large reserves for utilisation in their workshop....We are unduly cautious in making the assesment in regard to supply of scrap to them (contractors)....We did not take into account the scrap arisings during the course of the year....Now we are in a better position to know what quantity of scrap will be available for being given to the manufacturers and we have been ensuring that there will not be occasions where we have large stocks of cast iron scrap with us and buy sleepers at a higher rate." The Committee enquired what precise steps had been taken to tighten the procedure in the matter of assessment of scrap available for issue to contractors. In a note, the Ministry of Railways have stated that instructions have since been issued (on 14th March, 1969) for "proper coordination between the Engineering Department, who know the quantity already available with the Engineering subordinates .....and the likely arisings from the track renewal programmes; the Stores Department, who are aware of the stock available in the Stores Depot and arrangements available for sorting out and making available C.I. scrap to the C.I. sleeper manufacturers as also the Mechanical Department who should advise the correct quantity of consumption of C.I. scrap in the Railway Workshops and for other Railway purposes. The underlying idea was that the Railways "should be more realistic in assessing the availability of C.I. scrap so that the maximum requirement of C.I. sleepers may be covered on railway scrap basis."

2.19. The Committee enquired whether it would not facilitate better utilisation of Railway scrap, if the issues to contractors were spread over the period of the contract. The Financial Commissioner (Railways) stated that while giving a commitment to contractors for supply, "we are taking into account that so much stock is available and some more will be coming in (during the period of contract) and therefore we will be able to supply a little more than what we commit."

2.20. In reply to a question, how contractors were getting their own scrap for the use of which they were charging Rs. 400 per tonne and whether they were obtaining their supplies from the Railways, who auctioned the scrap, the Chairman, Railway Board stated that this question did not arise. "So far as the Railways are concerned", he said, "we can definitely say that before September, 1966, we did not sell the cast iron except on a barter basis." "This question of selling cast iron scrap", he added, "came into being only after pig iron was decontrolled. Before that cast iron scrap was not being sold."

2.21. The Committee observe that, due to a failure on the part of the Railways to utilise adequately stocks of ferrous scrap available with them in the fabrication of cast iron sleepers, an avoidable expenditure of over Rs. 10 lakhs was sustained by them on contracts for these sleepers placed in 1964-65 and 1965-66. The loss would be even higher if the stocks with the engineering subordinates which were not surveyed and classified are taken into account. The Railway Board had themselves been obtaining since April, 1963, quarterly statements of ferrous scrap available with the various Railways. These very clearly indicated that, due to increasing tempo of track renewals, there were substantial 'arisings' of scrap every quarter, which were progressively augmenting the balances. The increasing accumulation occurred despite the consumption of scrap in the Railway Workshops, which, during the period 1961-62 to 1965-66, ranged from 21,270 tonnes to 45,760 tonnes. The position in regard to the accumulation of stocks in fact became so acute that the Railway Board directed the Railways to bring down their stocks from 14 months' 'arising' to 6 months' 'arisings'. It is, therefore, paradoxical that, in the face of this steady and progressive accumulation of scrap, the Railway Board should have felt obliged, while assessing the quantities of scrap available for issue to the contractors, to discount the quantities shown as available in the stock returns, to provide for consumption in the Railway Workshops, or to assume that prospective 'arisings' in the course of the year will take place only during the latter part of the year and need not be taken into account. It is also strange that no note was taken by them of the fact that balances with engineering subordinates (which are, in fact, still to be ascertained) had not been reported by the Railways and that, with expeditious survey and classification, part of these balances could have been utilised for fabrication of the sleepers. As the Financial Commissioner (Railways) himself admitted during evidence there was "not good enough coordination" between the Railways and the Railway Board in assessing the availability of scrap and utilising "the maximum amount which could be utilised." The Committee would like the Railway Board to investigate how this occurred and fix overall responsibility and also to ensure that in future the accu-

mulated balances of scrap, including the balances with engineering subordinates, which will have to be expeditiously surveyed and segregated, are put to gainful use.

Audit Paragraph

South Eastern Railway—Avoidable expenditure in the removal of I class rails from the main line

2.22. The Ministry of Railways (Railway Board) arranged for the import of 1,01,000 tonnes of I class 90 lbs 'R' rails under two contracts concluded in September, 1960 and September, 1961, with a foreign firm. The rails received under the contract were consigned to the various Railways after the same were duly inspected by the Director Genral, India Supply Mission, London.

2.23. These rails were not to be inspected again after their receipt in India. However, since the relevant inspection certificates could not be produced before the Additional Commissoner for Railway Safety at the time of opening of the track on one of the sections of South Eastern Railway (which had received 20,020 tonnes) the rails were got retested. Rail pieces from three casts failed in the tests prescribed in the specifications (rails from two casts in the hammer test and rails from the third cast in the hammer test and the falling weight test).

2.24. According to specifications, in the event of such failure, additional tests of selected rails from the defective cast were to be carried out before all the rails from that cast could be rejected. The South Eastern Railway Administration, however, removed 1,974 numbers out of 2,312 numbers (1,295 tonnes) of the I Class rails from the three casts from the main line track and relaid 722 pieces in the sidings, without carrying out the additional tests, incurring an expenditure of Rs. 1 lakh. Utilisation of these rails in sidings treating them as II Class rails meant a further loss of about Rs. 98 thousand.

2.25. No amount could be recovered from the suppliers since, in terms of the relevant contracts, the inspection of India Supply Mission, London was final and conclusive and rejections, if any, could be at sellers' works only.

2.26. The Ministry of Railways stated (October, 1967) that it was not possible to carry out the additional tests since there were no means of selecting rails for the additional tests in the manner specified. It was further stated that since there was no report from other Railways of any of these rails having failed in the track even after the expiry of guarantee period of 5 years, the India Supply Mission, London could not be held responsible for any lapse by way of improper inspection.

2.27. Apparently the action of the South Eastern Railway Administration in removing the rails involving an expenditure of Rs. 1·98 lakhs was not justified.

(Paragraph No. 14—Audit Report (Railways), 1968)

2.28. The Committee enquired whether, after the failure of the rails in tests carried out in South Eastern Railway, the India Supply Mission, London was addressed to ascertain whether they had carried out the prescribed tests before acceptance of the rails. The Committee were informed that, "according to the contract conditions, the material was to be inspected and passed by the mill's inspectors and the inspecting Officers of the D. G., I. S. M., London. Only because copies of the inspection certificates were not available at the time of opening of the line and on the insistence of the Additional Commissioner of Railway Safety for producing such certificates before he could permit opening of the line, additional tests had to be carried out in India of the representative rails on each cast. Subsequently, however, the inspection certificates could also be traced and there was, therefore, no question of addressing the I. S. M., London in the matter."

2.29. The Committee were also informed that, "according to the Guarantee Clause (in the contract) the Sellers were responsible for any concealed defects imputable to manufacture not detected upon acceptance at the Works for a period of 5 years and that too, *if during this period the rails had been withdrawn from service owing to any breakage or defect.* Since in this case neither any breakage or defect was noticed after the rails had been laid in the track, the defects found during the tests carried out did not make the suppliers liable for any compensation. In the circumstances the matter did not warrant any reference being made to the suppliers."

2.30. During evidence, the representative of the Ministry informed the Committee that all the tests prescribed in the specifications were conducted by the India Supply Mission, London and Chemical analysis of rail pieces was also done. In reply to a question why the rails failed in the tests conducted in India, the representative of the Director General, Supplies and Disposals stated: "Only three pieces failed in test in India. Further quantities should have been drawn for tests, that is the condition of the specification. If the Railway Board had drawn some more samples and tested them, they would have found the results rather good." Further elaborating the position, the witness stated: "I would submit that the test specifications are so stringent that a slight failure of the rails does not necessarily mean that the rails are defective. If any defect is noticed in the test,; they must draw twice the number of samples again from the same cast for further testing. A freak can take place; so we have to try twice the number from the same heat and carry out the same tests on them. If there is no failure then we are satisfied that it was a freak test result.... The persons who took this decision to change went merely by their intuition of safety considerations. They were not experts. The certificates given by the testing authorities in the test houses were not questioned; if they had been questioned, they would

have given full detailed information and that would have satisfied the Railway Board."

2.31. The representative of the Railway Board, who was asked whether the Railways also thought that the rails were good, said that "it was not necessary to have tested the rails again." After all the rails had been tested earlier in the rolling mills and had been found to be satisfactory. I, therefore, see no reason why anything should have been done." The Committee then enquired whether the decision to test the rails and have them transferred at a cost of Rs. 1.98 lakhs was an unfortunate decision. The witness replied in the affirmative and said it was a "very unfortunate decision." 5

2.32. The Committee desired to know whether any legal opinion was taken over the question whether the guarantee clause could be invoked in view of the failure of the rails in the tests. The witness stated: "There has been no failure of the rails as such." It was added: "No legal opinion was taken. In the first instance, the breach of contract has not taken place for the simple reason that the rails did not fail. Therefore, the question of consulting law did not arise. Railway took a certain amount of caution on their own initiative and the contractor was not responsible for that."

2.33. The Committee enquired whether it was not necessary for the Ministry to satisfy themselves in the interests of safety that the rails despatched to other railways were not defective. The representative of the Railway Board stated: "Even the rails used by South Eastern Railway were not defective in our opinion and it was not necessary to take those rails off the track." He added: "When we open a new line for passenger traffic, the Government inspector is supposed to come and inspect the section before it is declared open. Nothing was found wrong with the rails but when he came to inspect he raised the question of seeing the test certificates. As a routine, test certificates are required to be produced. At that time the Railways did not have the certificates....The certificates were received but they were lying in the Board's office, and in the office of the Central Railway (which was the clearing Railway for these rails). Unfortunately South Eastern Railway did not ask for these certificates.....Instead of asking for certificates from (ISM) London or Central Railway, he (the official concerned) took the decision of changing the rails ..... It was unfortunate; it was a wrong judgement."

2.34. In a note which was subsequently submitted to the Committee, the Ministry have stated:

"A copy each of the inspection certificates was sent by the India Supply Mission, London to the Ministry of Railways and the clearing Railway immediately after the rails were loaded on the ships and were received in 1961.

Because of the large number of inspection certificates involved, the clearing Railways could not make available the correct certificates to

the South Eastern Railway. South Eastern Railway was not aware that copies of the certificates are also available in the Railway Board's office."

2.35. The Committee note that certain rails laid by the South Eastern Railway on the main lines which in the opinion of the Railways "were not defective" were removed to a siding prior to the commissioning of the lines. This became necessary, as the inspection certificates in respect of those rails "which were lying in the (Railway) Board's office and also in the office of the Central Railway" did not become available to that Railway at that time. The shifting of the rails, which the Railway Board considered "very unfortunate", cost the Railways a sum of Rs. 1.98 lakhs. As the shifting was done by the Railway concerned in the interests of public safety, the Committee do not wish to pursue the question of responsibility for the infructuous expenditure incurred. The Committee hope however, that the Railway Board will ensure that vital documents relating to operational stores are supplied to the Railways in time and are properly recorded to facilitate reference and checking.

Procurement of Steel Trough Sleepers

Audit Paragraph

2.36. A sleeper plant was erected at the Hindustan Steel Ltd., Durgapur in 1961 to meet the requirements of B.G. steel trough sleepers of the Railways to be used on tracks laid with 90 lbs. and 105 lbs. rails. A total of 27.27 lakh sleepers (2.08 lakh tonnes) were supplied to the Railways from 1961-62 to 1966-67.

2.37. The plan, layout, equipment etc., of the plant were finalised in consultation with the Ministry of Railways (Railway Board). However, sleepers supplied by the Steel Plant contained defects and deviations from permissible tolerances given in the specifications. The main defects and deviations were (i) depression formed from the impression of the punching dies which reduced the bearing area of the rail seat and the key drive, (ii) burrs around the holes, and (iii) verticality of the punched holes. These defects were attributed to the sleeper press and the design of dies adoptd by the Plant as also due to the process of producing sleepers by simultaneous forming and punching.

2.38. The process and the equipment have not so far been modified/changed although the Ministry of Steel, Mines and Metals stated (December, 1967) that action had been taken (i) to minimise die depression and (ii) remove the burrs by rigorous chipping and filing. It was, however, stated that the verticality of the punched holes insisted by the Railways could not be achieved in all cases. The Ministry further stated that the Plant was put into two shifts operation from August, 1966 because of "inspection difficulties".

2.39. In the opinion of the Research, Designs and Standards Organisation of the Railways, these defects increased the chances of the keys (which hold the rails on the sleepers) getting loose and dropping out under moving trains. It was, however, decided to relax the specifications and accept the sleepers as a temporary measure (initially upto June, 1962 and later upto December, 1963) in the overall interest of the country.

2.40. Although the date for accepting the sleepers not conforming to the standards was not relaxed beyond 31st December, 1963, large quantities of defective sleepers were received by the Railways even subsequently and a report to this effect was received by the Railway Board in September, 1965 from the General Manager, Northern Railway. A joint investigation into the defects was conducted in April, 1966 by the representatives of the Railways, Director General, Supplies and Disposals and the Steel Plant and thereupon the inspection of sleepers on behalf of the Railways was tightened.

2.41. The Ministry of Railways (Railways Board) directed the Railway Administrations in June, 1966 (nine months after the report from Northern Railway) to segregate the defective sleepers and hold the payment made therefor provisional, enclosing copies of the report received from the Northern Railway as also the joint note of investigation. Consequently 2.94 lakh sleepers received in 1965-66 and 1966-67 were kept segregated. These represented about 23 per cent of the 12.64 lakh sleepers received during the two years. The value of the segregated sleepers was Rs. 1.6 crores.

2.42. Meanwhile, in August, 1967, the Ministry had instructed the construction organisation of the Northern Railway Administration that 5,885 sleepers out of a total of 24,998 sleepers segregated as defective by them should be paid for at the rate of only 75 per cent of the full contract price and the balance 19,113 sleepers at 90 per cent of the full contract price.

2.43. The matter was taken up in Audit in July, 1967. The Ministry of Railways conducted a detailed examination in October, 1967 and came to the conclusion that the sleepers were classified by the Railways as defective after "only a very cursory inspection" and that some of the defects were minor. They, therefore, instructed the Administrations to have these sleepers properly inspected with a view to finding out what quantity could be classified as first class and used without restrictions on main lines. If after this inspection some sleeper were still considered to be below specification, the Railways were instructed to lay them in track in one or more convenient lengths and keep a watch over them for a period of one year in the first instance.

2.44. The Ministry of Railways (Railway Board) stated (February, 1968) that the position regarding the actual quantity of defective sleepers

is expected to be available by the second quarter of 1968 as a result of the instructions issued in October, 1967.

[Paragraph No. 16—Audit Report (Railways), 1968]

2.45. The Committee were informed that 2.94 lakh numbers of sleepers costing Rs. 1.60 crores supplied by the Sleeper Plant were segregated initially, as a result of instructions issued by the Railway Board in June, 1966. On re-inspection, the following position emerged:

(i) 2.15 lakh numbers were found fit for use on main line and 1.81 lakh numbers had been actually put in track.

(ii) 25,000 supplied to Northern Railway were found defective: 5,885 of these were accepted with 25 per cent reduction in price and the balance with 10 per cent reduction in price.

(iii) A lot of 30,284 contained 12,846 numbers found to be first class; 13,773 numbers treated "tentatively as second class" and 3,665 numbers treated "tentatively" as rejects."

(iv) Another lot of 22,960 numbers had been found "tentatively" to contain 22,000 second class sleepers and 960 numbers "below this second class" and a joint inspection with the Director General, Supplies and Disposals and Steel Plant Authorities was under contemplation.

It was also indicated to the Committee that in respect of the 25,000 defective sleepers supplied to the Northern Railway, compensation had been claimed from Hindstan Steel. As the Plant Authorities had not responded to "several letters", action "is now being taken to deduct the amount of reduction from Hindustan Steels' dues in respect of present supplies."

2.46. In response to a question how such a large number of sleepers initially segregated as sub-standard were later found acceptable and on what basis the Railways came to the conclusion that the initial segregation was based on a cursory inspection, the Financial Commissioner, Railways, stated: "What happened was when the first lot ..... on the Northern Railway were reported to be defective there was joint inspection simultaneously. Other railways were also alerted ..... and to check up whether similar defective sleepers of Durgapur had been supplied. The other Railways started inspection and that is where cursoriness of the inspection came in because that inspection was done at the subordinate level. They became a bit cautious and they just segregated the suspected sleepers. Later on when careful inspection took place it was found that they were not so much defective."

2.47. Pointing out that the lot supplied to the Northern Railway was found to be defective and that the joint report of inspection on these

sleepers carried out in April, 1966 referred to absence of inspection marks on some of the sleepers, the Committee enquired how the defects escaped the notice of the inspectors of the Director General, Supplies and Disposals. The representative of the Director General, Supplies and Disposals stated: "On that matter we have still got a doubt because when the joint inspection was held it was not proved whether the sleepers found defective were actually inspected by us." He further stated: "In the process of inspection, I have got the figure for 4 to 5 years—there have been 12 per cent., 9 per cent., 10 per cent and 16 per cent rejects. It would well be that the Durgapur might have been sending these rejects. I would not blame them for any mischief. Besides, in the year 1962-63 these defects were being permitted as a special case. It is quite likely that sleepers which belonged to that lot might have got mixed into the combined lot. It is very difficult to establish the identity." In a note on this point submitted to the Committee, the Department of Steel have stated:

"Every sleeper inspected and passed by the DI (Met) is marked with acceptance stamp which is in green paint and sleepers which are rejected are marked with red paint.

At this point of time, it is difficult to clearly indicate what led to the above situation and, therefore, an investigation is not possible. However, it has been ascertained both from DSP and Railways that only inspected sleepers were despatched and also that these inspected sleepers did bear the inspection mark of acceptance and were received as such by the Railways. The Joint Committee Inspection was carried out after more than a year of the receipt of these sleepers by the Railways. It is not unlikely that these marks may have got obliterated because of exposure to sun and rains."

2.48. The Committee enquired whether the acceptance of the defective sleepers supplied to the Northern Railway would not jeopardise the safety of the travelling public. The Member (Engineering) replied: "There is no risk of accidents. The only thing is that we will not be able to get the correct gauge." Asked where these sleepers were proposed to be used, the witness told the Committee that "they are going to be used on goods line, on which passenger trains do not run." He added: "I would not mind using even on lines where the trains are not running at high speed. The only defect is about the gauge." The Committee pointed out that the opinion of the Research and Design Organisation was that with the use of these sleepers, there was a possibility of keys getting loose and dropping out from the rail under moving trains. The additional Member (works) clarifying the position informed the Committee: "If the keys are driven to get the correct gauge in the case of defective sleepers then the keys may not be tight. But if the gauge could be slightly out, about two or three millimetre, then the keys will be tight.

That is why they can be used on secondary lines where the gauge need not be exact."

2.49. The Committee enquired whether there was any proposal to purchase a further lot of 1.30 lakh numbers of rejected sleepers from Durgapur Plant which had accumulated there. The Committee were informed that the accumulation of this lot was "due to inspection being tightened up." The Railways had placed a contract for these rejected sleepers reducing the rate by Rs. 195 per metric ton and supplies had started. "We are trying", the Member (Engineering) explained, "to change the designing of the sleepers. We thought we would carry out this change with these rejected sleepers."

2.50. Taking up the performance of the sleeper Plant, the Committee asked for data about the production of sleepers in the Plant and the rejections that occurred and the losses sustained. The Committee were informed that the total investment in the Plant upto 31st March, 1968 amounted to Rs. 63.39 lakhs. The rated capacity of the Plant at 1 MT and 1.6 M.T. stage amounted to 60,000 tonnes and 75,000 tonnes respectively. The output and percentage of rejections were as under:—

Year	Production (Tones)	Percentage of rejections on productions
1961-62	15,656	7·29
1962-63	31,905	10·10
1963-64	41,090	8·73

		Dy. Dir. Inspection	Works Inspection
1964-65	67,833	9·00	3·88
1965-66	68,662	10·34	1·55
1966-67	55,407	14·86	0·67

As regards losses, the figures since inception furnished to the Committee are tabulated below:—

Year	Profit	Loss
	Rs. in lakhs	
1961-62	—	8.23
1962-63	—	24.98
1963-64	48.14	—
1964-65	96.30	—
1965-66	70.20	—
1966-67	—	34.73
1967-68	—	56.19

2.51. In reply to a question, the Financial Commissioner (Railways) stated that the installed capacity of the Durgapur Plant "is more than what they are producing at present." The Committee of Enquiry on Durgapur Steel Plant, which had examined the working of the plant, came to the conclusion that "the Plant has hardly sufficient orders from the Railways even for two-shift working."

The Committee desired to know the reasons for the decline in production in the Plant from 68,662 tonnes in 1965-66 to 55,407 tonnes in 1966-67. The representative of the Department of Iron and Steel stated:

"I would like to explain that the reason for the fall in production is not primarily connected with the production aspect as much as the inspection aspect. The Inspection Directorate of the Director General, Supplies and Disposals were unable to carry out the inspection of the large quantities which would be there if three shifts were functioning. Therefore they had to slow the tempo of production."

2.52. The Committee were further informed that "On the basis of the joint investigation into the defects of the sleepers by the Director General, Supplies and Disposals, the Railways and the Plant, some control was exercised on the inspection of sleepers. As a result of that it was not possible to inspect the entire lot of three shift production during day light hours. We had in the meantime accumulation of stocks which would be moved outside and the area cleared. Therefore, we had no other alternative in the month of August, 1966 except to revert back to two shift operations."

2.53. The Committee enquired about the loss sustained as a result of the plant being put into two shift operations. They were informed that the loss in this respect had been estimated as "about Rs. 6 lakhs upto March, 1968." In reply to a question whether inspection arrangements could not be made for the entire production expected out of three-shift

operations, the Department of Steel have stated: "Sleepers are inspected by representatives of Director General, Supplies and Disposals during day-light hours as prescribed in the specifications. The question of night inspection has been taken up with Director General, Supplies and Disposals on many occasions, but as according to them the specifications themselves prescribe inspection during day-light hours, it has not been possible to get their agreement to inspection beyond these hours."

2.54. The Committee enquired why the percentage of rejections had been going up instead of coming down. The witness stated: "My impression is that the percentage of rejection is coming down and in August it has come down to 7.9. The other question that would arise is why the percentage of rejection was not lowered even earlier. The explanation is this. It was on account of the process involved in the manufacture of sleepers in that both the pressing and punching are done simultaneously. The defects which were pointed out regarding verticality and depression were something which could be rectified with constant attention and thus we have been able to rectify and reduce the percentage."

2.55. The Committee drew the attention of the Department of Steel to the observations of the Committee of Enquiry on Durgapur Steel Plant (Pandey Committee) in para 11.29 that "the rejections arising out of pressing and punching could be greatly minimised by proper checks during operation, proper maintenance of the Plant and especially the dies and punching rods and presses and by improving production techniques." The Department have stated in a note:

"Para 11.29 of the Report of the Committee of Enquiry on the Durgapur Steel Plant refers to improvements on production techniques and other factors like improvement in maintenance and revised bonus scheme. Certain steps have been taken and the results of these are reflected in the performance as is evident from the percentage of rejections which has been coming down:

	per cent Rejection
April, 1966 to March, 1967	15.81
April, 1967 to March, 1968	12.50
April, 1968	12.28
May, 1968	12.00
June, 1968	9.7
July, 1968	7.1
August, 1968	7.9

2.56. The Committee enquired when the defects in the sleepers were first noticed and what action was taken to remove the defects. The

Department have replied in a note: "There are things like die depression, burrs around holes, etc. which are inherent in the manufacturing process. The first complaint from the Railways about sleepers received by them not being upto specifications was received some time in September, 1965. The matter was conjointly inspected by D.I. (Met), Railways and the Plant representatives in April, 1966. To the extent the defects are inherent in the manufacturing process, action was taken to minimise die-depressions, rigorous chipping was enforced to remove burrs around holes, etc. and there have been no complaints from the Railways thereafter. Some of the steps taken to improve quality are also reflected in the percentage of rejections....."

2.57. The Committee enquired whether the design and lay-out of the sleeper plant was not finalised in consultation with the Railways. The Member (Engineering) replied: "The Plant was not laid out in consultation with us. Only the plan for sleepers and specifications of sleepers were agreed to....Simultaneous pressing and punching process was accepted by us....Sleepers by this process had been obtained from abroad and found to be satisfactory. The rest (of the Plant) was done by them (the Plant authorities) in consultation with their consulting engineers and Railways did not come into the picture." The Committee enquired whether sleeper press itself and the design of the dies adopted by the Plant were responsible for the production of defective sleepers. The representative of the Department of Steel stated that "in the very process of doing (pressing and punching) simultaneously, there are some inherent defects. So far as the design of the dies is concerned, whenever a part goes out of shape, it is always modified. The rejections which were there in this case were due to the fact that certain portions wore out and naturally then defective sleepers started coming out. In the process of inspection they were detected and rectified."

2.58. In reply to a question whether any change in the design of the of the sleeper had been proposed by the Railways, the representative of the Departent of Iron & Steel stated: "Investigation for improving quality was carried out in 1965 itself when the increase in rejection percentage was noticed and defects were also pointed out by the Railways. Later on some of these were incorporated in the report submitted by the Pandey Commission. The idea was to have the punching operations replaced by drilling and a separate equipment installed. There would be hot pressing and cold drilling. This we have in mind. But at the present movement, we have been able to improve upon the rejection percentage and the point to be examined is whether this capital expenditure and changing of lay out etc. would at all be necessary if we are otherwise able to control the working with the present hot punching process." The Member, Engineering (Railway Board) added: "We have given them the specifi-

cations. The sleepers which had been supplied earlier by a private firm were first pressed and then drilled. The machines which have been installed in the Durgapur Steel Plant simultaneously press and punch. This is more economical than the first process of first pressing and then drilling. This process has been adopted in other countries also. Because it was economical and because in other countries they had been able to obtain a good finish in this method, they adopted this process. Either this process can be completely changed and we can go back to pressing and then drilling, or we have to improve this particular process so that the impression of the dies not appear on the sleepers."

2.59 The witness further stated that "Only last year we were looking into the matter whether we could change the design of the sleeper. We looked jointly with Hindustan Steel, but unfortunately we have not been able to come to agreed solutions so far."

2.60. The Committee enquired whether if the Plant Authorities were unable to erect the change in design, the Railways proposed to continue accepting sleepers of the existing design. The Member (Engineering) said:, "We thought we could ask the Durgapur Steel Plant to produce a slightly different type of sleeper. Firstly, they expressed their inability to do so. But for the present we have got second-hand sleepers which we are going to use and after that we will request them again to modify their Plant."

2.61. Explaining the position in regard to the changes in design, the representative of the Department of Steel stated that "this new design which is being contemplated will completely change the processing operation and we will have to have a different layout." In a note, it has been stated: "'Certain changes in design of sleepers were suggested by the Railways and this matter has been under consideration by the Durgapur Steel Plant along with the Railways, but it has been found that with the existing sleeper plant, it will not be possible to make any changes."

2.62. The Committee enquired whether the Railways were quite satisfied that the sleepers procured from Durgapur were quite safe from operational point of view. The Members (Engineering) replied: "This matter has been carefully considered and it was found that these sleepers were quite safe for use in the track." He added: "The defect is not of such a serious nature that we cannot use them. The finish is not very good. We would like them to improve the finish. We have tightened up the inspection. Lately, we have been getting satisfactory sleepers." The Financial Commissioner (Railways) further explaining the position stated: "What we are doing in regard to the defective sleepers lying with

the Durgapur is that we are purchasing them at a reduced price and apply to them elastic fasteners With these modifications we are able to try out these sleepers." In reply to a question whether the experiment of using elastic fasteners has proved successful, the Member (Engineering) stated that the Railways had used them "in short lengths" and "found them good.". More trials were in progress.

2.63. The Committee drew attention to para 11.27 of the Pandey Committee report in which there was a reference to a proposed study "of the behaviour of the track with additional tolerances in tilt proposed at Durgapur to decide the extent to which further relaxation (in specifications) could be agreed to." The Department of Steel in a note on this point have stated: "1,511 sleepers with relaxed tolerance were selected by the Railways for experimental purposes. These experiments are still being carried out and it is expected that results will be known some time after April, 1969."

2.64. The Committee enquired whether in view of the unsatisfactory supply from Durgapur the Railways had considered the desireability of obtaining sleepers from the private sector. The Member (Engineering) stated that "If Durgapur is not able to meet our requirements we will do that. Our requirement is 10 lakh sleepers a year. Unless the Durgapur plant can raise their production to meet our requirements in full, we will have to think of the other alternative. Having invested all this money in the public sector plant, we have to consider whether their capacity is being fully utilised before we buy them from the private sector." The representative of the Department of Steel clarifying the position told the Committee: "It is not the case that the entire 100 per cent production of the plant was bad. It is a case where out of 100 per cent production 93 per cent was good and the sleepers were purchased after carrying out the inspections. Probably 7 per cent was rejected. To the extent they can make use of that with some additional expenditure, an atempt is being made rather than allowing the whole thing to go waste. I thought I might mention this." Elaborating the position from the point of view of the Railways, the Financial Commissioner (Railways) stated: "Our only source of supply has been Durgapur Steel Plant. They are also unable to meet our full requirements and if it came to our having to promote these sleepers in the private sector we may take that up but at that stage we would naturally have to consider what would be the material required; what is the available investment in the private sector, what further investment may become necessary there and in Durgapur Plant; whether to change the design or to insist on new design. All these matters will have to be gone into and naturally we will prefer to chose

that form of investment which will give us best results. The detailed examination has not yet taken place." In reply to a further question, the Financial Comissioner (Railways) stated: "We are going in for concrete sleepers and that is going to make a difference in total requirements of steel sleepers."

2.65. The Committee observe that the Railway Accidents Inquiry Committee (1968) which reviewed the problem of use of concrete sleepers made the following observations in this regard in Part I of their Report:

"We understand that prestressed concrete sleepers have been developed in foreign countries and adopted extensively. We are unable to appreciate the reasons for the Administrations' inability to develop the concrete sleepers to suit railways' special requirements over the last many years..... We urge the Railway administrations to make special efforts for introducing the prestressed concrete sleepers on the Indian Railways on an extensive scale in view of the unfavourable supply position of wooden sleepers and their increasing demand for modern signalling."

2.66. The views of the Ministry of Railways on the foregoing observation as brought out in one of the documents presented along with the Railway Budget, 1968-69 are reproduced below:

"The introduction of concrete sleepers on the Indian Railways has been delayed due to non-availability of elastic fastenings in this country. In 1964, a contract was awarded for manufacture and supply of concrete sleepers with elastic fittings, to an Indian company which entered into collaboration with a French firm. Unfortunately the Indian company failed and there was no supply of concrete sleepers or elastic fastenings. The Railway Board have since decided to use Pandrol clips which are used extensively on the British Railways. A contract has now been awarded to a private company for its manufacture in India. The R.D.S.O. also has a design under development for a two-block sleeper with elastic fastenings. With the finalisation of arrangements of supply of elastic fastenings, a contract has been awarded for the manufacture of one lakh mono-block concrete sleepers to a reputed company. Tenders for further supply of concrete sleepers are also in hand. It is expected that introduction of concrete sleepers on Indian Railways will now be possible."

2.67. The Committee are not happy about the performance of the Durgapur Sleeper Plant in the matter of the supply of sleepers to the Railways. Out of a lot of 2.94 lakh numbers of sleepers supplied between

1965-66 and 1966-67, 25,000 were defective, 35,773 second-class (fit for use only in sidings) and 3,665 rejects. Besides, the Plant accumulated 1.30 lakh numbers of sleepers, rejected on inspection, which they were constrained to sell to the Railways at a reduced price.

The Plant inevitably ran into heavy weather as a result of the production of such a large number of sub-standard sleepers. Its working had to be restricted to two shifts and its production slumped from 68,662 tonnes in 1965-66 (90 per cent. of capacity) to 55,047 tonnes in 1966-67 (73 per cent. of capacity). Its working results changed from one of profit in 1965-66 (Rs. 70.20 lakhs) to that of loss in 1966-67 (Rs. 34.73 lakhs) and 1967-68 (Rs. 56.19 lakhs).

2.68. The Committee note the view expressed during evidence that there are some "inherent defects" in the process of manufacture of sleepers. The Committee cannot, however, avoid the conclusion that perhaps the Railways also cannot escape from some part of the responsibility for this state of affairs since they had accepted the process of simultaneous pressing and punching which gave rise to these "defects". The Railways have on this account asked for a change in the design of the sleepers, but this would require a complete change in the processing operations and the layout, entailing substantial capital investment. The Committee are unable to understand why the process of operation adopted by the Plant has produced such unsatisfactory results when it has been worked successfully in other countries. This suggests that either the presser plant and the dies are defective or that thye are not being properly maintained or operated. The matter needs close investigation by Government.

2.69. A development which is likely to have repercussions on the economics of the Plant is the proposal of the Railways to go in for prestressed concrete sleepers. The Committee note in this respect that the Railway Accidents Enquiry Committee (1968) have in Part I of their Report urged the Railway Administration to make a special efforts to introduce concrete sleepers on an extensive scale and that these sleepers have been found very suitable for purposes of track circuiting and automatic signalling. Modernisation of signalling arrangements on the Railways will require use of prestressed concrete sleepers on a progressively increasing scale. Serious consideration, therefore, needs to be given to the adverse implications of the development on the demand for sleepers of the type produced by the Durgapur Plant and the economic working of the Plant.

Non-utilisation of fish plates imported at higher rates

Audit Paragraph

2.70. Global tenders were invited in June, 1962 for the import of 12,500 tonnes of fish plates of 105 lbs., 90 lbs., and 60 lbs. sections as

the requirement was considered very urgent since the rails for various track renewal and other works to be completed by 1962-63 were either already received or expected to be received during 1962-63 and the indigenous production was not considered adequate.

2.71. The lowest offer received in response to the global tenders was from a Japanese firm for Rs. 916 per tonne. This offer could not, however, be availed of owing to non-availability of 'Yen' credit. As finance from U.S. non-project loan alone was then available, an order for the import of 12,500 tonnes was placed in November, 1962, on the only U.S. firm who responded to the global tender, at a high rate of Rs. 1,330 per tonne (landed cost). No reassessment of requirements with a view to restricting the quantity was made. Import of another 4,000 tonnes was, however, subsequently arranged with the same Japanese firm in August, 1963 when 'Yen' credit became available at the same rate of Rs. 916 per tonne. Full supply from the U.S. firm materialised by June, 1963 and that from the Japanese firm by March, 1964.

2.72. At the time of arranging the imports the requirements of fish plates were assessed at 32,509 tonnes on the basis of 9.29 lakh tonnes of rails already received or expected to be received during 1962-63. Out of the 9.29 lakh tonnes of rails planned 8.80 lakh tonnes of rails were actually received by September, 1963 (the receipts up to March, 1963 being 8.03 lakh tonnes).

2.73. Thus, while almost the full quantity of rails were received by the time the imported fish plates arrived, the fish plates were not fully utilised. During 1963-64 only a quantity of 7,702 tonnes of fish plates out of 12,625 tonnes actually received from the U.S. firm was utilised. A further quantity of 2,367 tonnes was utilised in 1964-65 leaving a balance of 2,556 tonnes to be utilised subsequently.

2.74. The non-utilisation of fish plates was partly due to underassessment of the indigenous capacity for production. In order to step up the indigenous production of fish plates the Ministry of Railways and the Iron and Steel Controller had arranged for the import of 22,000 tonnes of fish plate quality billets for being supplied to the indigenous re-rollers. These billets were also actually received by October, 1962. However, while assessing the capacity of indigenous production, a receipt of only 7,032 tonnes of fish plates during 1962-63 was taken into account. The actual receipts from indigenous production during 1962-63 was 10,405 or 3,373 tonnes more than anticipated.

2.75. The import of fish plates from the U.S. firm could have been restricted to the quantity that was immediately required by 1963-64, and

the balance arranged through imports from the Japanese firm when 'Yen' credit became available. Even a curtailment of 2,556 tonnes (the quantity of fish plates remaining unutilised by the end of 1964-65) in the import would have avoided an extra expenditure of Rs. 10.6 lakhs apart from saving foreign exchange to the extent of Rs. 26 lakhs.

2.76. The Ministry of Railways stated (February, 1968) that since it was not known at the time of placement of contract on the U.S. firm as to whether 'Yen' credit would be available subsequently during the course of next year, the entire requirement of 12,500 tonnes had been placed on the U.S. firm and the question of reassessment of requirements did not arise.

2.77. The Ministry further stated that the entire quantity of imported fish plates could not be utilised in view of more indigenous production than expected and less receipt of rails.

[Paragraph No. 17—Audit Report (Railways), 1968].

2.78. The Committee enquired whether the Railways considered the desirability of restricting the orders placed on the U.S. firm, whose rates were higher than those quoted by the Japanese firm. The witness stated that the Railways' requirements were "much higher", but "import was limited to 12,500 tonnes. It was evidently not possible to restrict it still further."

2.79. The Committee enquired on what basis the requirements of fish plates were worked out, when the orders were placed with the U. S. firm in Octobr, 1962. The Committee were told that the requirement was assessed "on the basis of rails received or expected to be received in 1962-63." The total quantity of rails of 105 lbs., 90 lbs., and 60 lbs. sections received or expected to be received was 9·29 lakhs tonnes as shown below:

	105 lbs.	90 lbs.	60 lbs.	Total
Rails received 1961-62	11,335	3,38,828	53,444	4,03,607
Rails expected 1962-63	2,06,000	1,86,000	1,34,000	5,26,000
	2,17,335	5,24,828	1,87,444	9,29,607

For the rails received or expected to be received as above, the fish plates required were assessed 52,503 tons. The quantity of fish plates received from indigenous sources was 2,182 tons in 1961-62 and 2,032 tons upto October, 1962 in 1962-63. A further quantity of 5,000 tons was expected

during the residual portion of 1962-63 making a total of 9,214 tons from indigenous sources, against the total requirement of 32,503. There was, therefore, a deficiency of 23, 289 tons against which the orders were placed with the U. S. firm only for 12,500 tons.

2.80. The Committee enquired what quantity of rails was actually received and how it compared with expectations upto October, 1962. They were informed that 5·29 lakh tonnes of rails (105 lbs., 90 lbs. and 60 lbs. sections) were expected during 1962-63; the total expected (including 75 lbs. rails also) was 5·43 lakh tonnes. Upto October, 1962, 1·42 lakh tonnes of rails were received and the balance was expected during the residual portion of the year. The total quantity actually received in 1962-63 was 2·80 lakh tonnes (including 75 lb. rails also) against the expectation of 5·43 lakh tonnes. In 1963-64, it was 3·68 lakh tonnes against a quantity of 4·59 lakh tonnes expected. The representative of the Ministry also informed the Committee that on account of receipt of rails on a lesser scale than anticipated, 5,000 tonnes of fish plates remained unutilised in 1962-63. In 1963-64, the non-utilisation due to less receipt of rails was 4,000 tonnes. Explaining the position further, the Chairman, Railway Board stated: "We tried to procure as many fish plates as there were rails irrespective of whether these rails could be used immediately or a little later. That is how you may say the excess order came about."

2.81. The Committee enquired whether any action was taken by Government for belated supply of rails by the supplier. In a note, the Department have stated:

> "Since no contracts are placed for the receipt of rails from indigenous sources and no production was planned by the Iron and steel Controller for supply to the railways who were the only consumer of the rails, no action was possible against the supplier. In respect of import for which contracts were placed, necessary action for the delayed supplies had been taken in terms of the contract conditions."

2.82. The Committee enquired on what basis the quantum of fish plates likely to be indigenously available was assessed. They pointed out in this connection that the import of 22,000 tonnes of billets had been specifically arranged for supply to indigenous re-rollers for augmenting production. The Committee were informed that out of 22,000 tonnes of billets, 18, 000 tonnes of fish plates were expected. The witness further stated: "During 1961-62, the indigenous supply was 2,182 tonnes of fish plates. From 1-4-62 to 1-10-62 it was 2,082 tonnes. Even then we expected that the indigenous supply will be about 7,000 tonnes during the year. It was too much to expect that they will manufacture more than that." He further added: "Although import of billets had been arranged, it would take

some time for the manufacturers to get geared to production, put the manufacturing operation into proper sequence and increase production fourfold. We thought they will go to 7,000 from 2,000. We could not expect that they will go much above that."

2.83. The Committee pointed out that the billets imported for supply to re-rollers were actually received in 1962. They enquired whether a programme for production of fishplates from these billets was actually drawn up. The Ministry of Railways have stated in a note: As the fishplates as well as the fishplate quality billets were controlled commodities at that time, the programme of indigenous production was maintained by the Iron and Steel Controller without reference to the Railway Board. Whatever quantity of billets had been imported by the Railway Board was by arrangement with the Iron and Steel Controller. The allotment and distribution of the entire 22,000 tonnes amongst the fishplate re-rollers was controlled by the Iron and Steel Controller." The Committee enquired whether the Railways ascertained from the indigenous re-rollers what quantity of fishplates they would be able to supply. The witness replied in the negative. The Committee pointed out that the actual receipt of fishplates from indigenous sources was higher than what the Railways had estimated. The witness replied: "We can only assume that because the billets became available the manufacturers took special steps and they were able to increase their production."

2.84. The Committee enquired when exactly the imported fish plates were utilised. The following statement was in this connection furnished:

Year	Quantity of fishplates utilised out of the supplies made by M/s. Erba Corporation of U.S.A.	Quantity of fishplates utilised out of the supplies made by M/s. Kinoshita & Co. of Japan
1963-64 . . .	7,702 M/Tons.	263 M/Tons
1964-65 . . .	2,367 „	1,977 „
1965-66 . . .	2,000 „	1,270 „
1966-67 . . .	350 „	156 „
1967-68 . . .	185 „	..
1968-69 . .	21 „	348 „ (under utilisation)
Total . .	12,625 „	4,014 „

2.85. The Committee cannot help feeling that the Railways incurred an avoidable expenditure of Rs. 10.6 lakhs in this case by failing to restrict their orders for imported fish-plates to their immediate requirements. The fishplates were procured for meeting urgent requirements in connection with track renewals, but an assessment was not made before placing the orders as to whether the supplies of rails were likely to materialise in time. The representative of the Railway Board himself admitted in this respect during evidence that the fish plates were procured "irrespective of whether the rails could be used immediately or a little later." Apart from this, the Railways also failed to assess the extent to which their requirements of fish plates were likely to be met from indigenous sources. Arrangements had in fact been made before the orders for imported fish plates were placed for 22,000 tonnes of billets being imported for augmenting indigenous production of fish plates. However, the Railways failed to ascertain the programme drawn up by the Iron and Steel Controller for the utilisation of these billets and to restrict their purchases of imported fish plates correspondingly. The over-all result of these omissions was that, of 12,500 tonnes of fish plates imported as an urgent requirement in June, 1963, over a sixth (2,556 tonnes) remained unutilised till the end of 1964-65, due either to rails not becoming available or to indigenous supply being higher than anticipated. Had orders for this quantity not been placed in November, 1962, the Railways could have averted an extra expenditure of Rs. 10.6 lakhs, apart from saving valuable foreign exchange.

2.86. The Committee trust that in the light of the experience gained in this case, steps will be taken by the Railway Board to ensure that such costly errors in estimation do not recur.

Avoidable expenditure on purchase of M. G. bogie petrol tank wagons

Audit Paragraph

2.87. In October, 1961, the Ministry of Railways (Railway Board) placed an order on a firm for the manufacture of 100 MG bogie petrol tank wagons at the rate of Rs. 26,000 each to be supplied by 30th June, 1963. In August and September, 1963 the firm represented for cancellation of the order as it had been incurring heavy losses due to difficulties in the procurement of steel castings. The firm also represented that the excess steel be utilised against other wagon orders. The offer was, however, not accepted in view of the traffic requirements.

2.88. In December, 1964, in the context of the considerable shortage in B. G. tank wagon fleet and of M. G. tank wagons becoming surplus due to commissioning of pipelines, it was suggested by the Oil Companies that the cancellation of the order for 100 M. G. tank wagons and the possibility of the firm taking up manufacture of B. G. tank wangons in lieu might be considered. However, the Ministry of Railways rejected this

suggestion in January, 1969, although the Ministry were at the same time, considering the problem of finding out means of utilising about 400 M. G. tank wagons rendered surplus consequent on the commissioning of pipelines for petroleum products between Gauhati and Siliguri.

2.89. In March, 1965, it was ascertained that the firm had not commenced any work on this order and that it was still hoping to get the order either cancelled or modified. In July, 1965, the firm reiterated that they had been awarded various types of wagon orders and requested for cancellation of the order for these 100 wagons and furnished statements indicating the details of the raw materials and components which could be used against other wagon orders and which could not be so used. The firm also accepted responsibility for any material received by them beyond the quantities shown in the statements. The order was, however, not cancelled even at that stage.

2.90. Meanwhile, with a view to utilising the surplus M. G. tank wagons the Ministry of Railways (Railway Board) issued orders as early as March, 1965 for transport of POL traffic (both dangerous and non-dangerous) in bulk in tank wagons from Gauhati, New Jalpaiguri and Barauni to Shakurbasti by the longer all M. G. route, freight charges being levied at special rates equal to normal tariff rates for the distance by all M. G. route minus 120 Kms. All Metre Gauge movement involves 1,406 Kms. from Barauni to Delhi area as against Broad Gauge movement of of 1,165 Kms. Taking into account the extra freight earned by charging for additional distance and the additional haulage cost over the longer route the net loss incurred by the Railways in the movement of 34,175 tonnes of POL traffic over all M. B. route from 1st April, 1965 to 31st October, 1965 was Rs. 3·72 lakhs. The recurring loss per annum thus works out to Rs. 6·38 lakhs. (The above freight concession was extended to POL traffic moving to Palam with effect from 1st August, 1967).

2.91. An assessment made by the Railway Board in April, 1967 revealed that as against the fleet of 4,132 tank wagons as on 1st April, 1967 the requirement of M. G. tank wagons would be only 3,500 on the basis of targets proposed for turn-round of wagons.

2.92. Thus, on the one hand the Railways are incurring a loss in utilising the surplus M. G. tank wagons and on the other proceeding with the procurement of more M. G. tank wagons at a cost of about Rs. 26 lakhs.

2.93. The Ministry of Railways (Railway Board) explained (January, 1968) that the cancellation of the order would have meant an extra expenditure of Rs. 2 lakhs in the handling and freight charges in the utilisation of the materials procurred by the firm and in the wastage involved in such utilisation. It was also explained that the turn-round anticipated

in April, 1967 failed to materialise in actual working and that the assessed surplus of about 600 wagons remained a theoretical exercise. It was further stated that the loss of earnings by the adoption of longer M. G. route should be appreciated from the overall operational point of view, particularly in the context of the acute shortage of B. G. tank wagon fleet.

2.94. It may be stated that the avoidable capital outlay of Rs. 26 lakhs would also result in payment of Rs. 1·56 lakhs of dividend to General Revenues every year. Thus cancellation of the order would have been financially advantageous to the Railways even if it meant an extra expenditure of Rs. 2 lakhs.

2.95. It may also be observed that the existence of surplus wagons would itself adversely affect the achievement of the targetted turn-round. Further, from a Memorandum submitted to the Public Accounts Committee by the Ministry of Railways in February, 1968, it is seen that the average idling of wagons on both MG and BG had gone up in 1967-68 as compared to 1966-67. The figures mentioned were as below:—

	Average idlingtakndao wagons per fy	
	MG	BG
1966-67	88	133
1967-68 (up to November).	216	208

[Pragraph No. 18, Audit Report (Railways), 1968]

2.96. The Committee desired to know whether the Ministry considered the question of cancellation of the order for MG bogie tank wagons and the decision taken at each stage (i) with the commissioning of the Gauhati-Siliguri pipe line; (ii) when the request was made by the firm in August/September, 1963, and July 1965; (iii) when the oil companies made the suggestion in December, 1964; (iv) when the railways themselves became seized of the problem of utilising surplus MG oil tankers. The Ministry in a note stated:

"(i) The Gauhati-Siliguri Pipeline was commissioned in November, 1964. The question of cancellation of the order for 100 MG bogie tank wagons was not considered at this stage as a decision had been taken earlier not to cancel the order because of the infructuous expenditure involved in the cancellation of the order.

(ii) When the request was made by the firm in August/September, 1963 and July, 1965 the request was not agreed to as it was

noted that the cancellation of the order at this stage, when a substantial portion of materials had already been received and which could not be utilised for alternate use, would have resulted in an infructuous expenditure of Rs. 1.2 lakhs.

(iii) In December, 1964, the Oil Companies actually came up with the proposition for construction of additional MG tanks. It was the Railway who pointed out to the Oil Companies that their estimate was incorrect in view of the construction of the Gauhati-Siliguri pipeline and the setting up of the Barauni Refineries. During the discussions, the Oil Companies made a suggestion to cancel the order placed for additional MG tank wagons. This suggestion was not considered for reasons stated in the foregoing paragraph.

(iv) The Railways themselves became seized of the problem of utilising surplus MG tank wagons in August, 1964 when MG wagons were expected to become temporarily surplus in the immediate wake of the commissioning of the Barauni Refineries and operation of the Gauhati-Siliguri Pipeline. At this point, however, this specific question of cancellation of the order for 100 MG tank wagons was not considered as a decision on this had already been taken earlier."

2.97. During evidence, the Chairman, Railway Board informed the Committee that "the main reason for not cancelling the orders was the consideration that it involved an infructuous expenditure of Rs. 1.2 lakhs. The MG orders were not cancelled because of the fear of the Audit objection to infructuous expenditure of Rs. 1.2 lakhs. The other reasons was that even though MG tank wagons were surplus, BG tanks were short and these could be used in lieu of BG tanks."

2.98. The witness further stated, "It was also felt that this particular company was not manufacturing these wagons in a day or two and so by the time they manufactured them there would be need for these wagons; therefore, let us not waste Rs. 1.2 lakhs on cancellation."

2.99. In reply to a question the witness informed the Committee that "the position is that all the tank wagons that are there in the pool are being used. Now and then they become surplus for various reasons. One reason is that the production in the refineries is also changing from time to time.....All that be said at present is that the position of tank wagons is easy."

2.100. The Committee invited the attention of the Ministry to the assessment made by them in their 22nd Report that, as against the fleet of 4,132 tank wagons on 1-4-1967, the requirement of MG tank wagons

would be only 3,500 on the basis of targets proposed for turn-round of wagons. The surplus tank wagons was thus about 600. The Committee enquired why the targeted turnround was not achieved. The Chairman, Railway Board stated, "the targeted turneround which has been referred to is the one which is meant for our own purposes, which we set for the Railways to achieve. It is not always the case that it is achieved. This is an internal target which we set before the Railways in order to keep them tight, so to say, that they must improve their operation and so on and so forth. We set a target knowing fully well that it is tight and it may not be achieved and the calculation is based on that decision."

2.101. The Committee enquired whether surplus wagon capacity was not affecting their turn-round. The Chairman, Railway Board stated, "It is very difficult for us to say that, because the conditions keep on differing and because of the alternative pipeline also. Therefore, the tank wagons which would otherwise be utilised intensively, would have to be used elsewhere. We would like to use them, as they become surplus. The situation keeps on changing and new circumstances arise, and in such events, it is not possible to make any statement that so many tank wagons would become surplus. If we had lesser quantities, the only effect would be that sometimes we fail somewhere, and we would not be able to carry that traffic at that particular time."

2.102. The Committee enquired what would be the surplus MG tank wagons if the practice of moving the POL traffic by the longer all MG route was given up. The Committee were informed by the witness that, "All that we can say is that, that route will not be utilised that way; that is not now resorted to except in the case of emergency. It has been discontinued."

2.103. In reply to a question whether in the light of the recommendations of the PAC made in their 22nd Report the Government had taken any action to revise the procedure of placing orders for various types of wagons keeping in view the demands of traffic, the witness replied, "very much so. We are making a detailed assessment of our type of traffic and as to what would be the turn-round. We are calculating it very carefully." The Ministry in a note have further stated, "Review of the requirements of wagons and other rolling stock is made every year at the time of the preparation of the Railways' Annual rolling stock programme. In order to regulate the expenditure on the Railways' Development Programmes and procurement of rolling stock in accordance with the traffic materialisation, it has been decided to conduct periodical reviews of the estimated growth of rail traffic. The purpose of carrying out such periodical reviews of rail transport growth is to ascertain how far the physical programmes

of the railways can be suitably adjusted to match the traffic growth without causing serious dislocation to the production potential already created.

The process of conducting periodical reviews has started only recently relating to the rail traffic estimate for 1968-69; suitable action with regard to the review of the orders for wagons will be taken as and when necessary."

2.104. The Committee enquired how these 100 tank wagons were being utilised, the witness stated "They are being utilised but the tank wagons are not as intensively utilised as they would have been if there were fewer wagons. But then emergency movements would have to suffer." The witness added, "We could have done with fewer tank wagons also. The only effect of having these surplus tank wagons was that the position was easy and wherever there was any change in the pattern of movement we were able to meet the traffic fully."

2.105. The Committee are surprised to learn that an order placed by the Railways in October, 1961, for Metre-Gauge bogiet petrol tank wagons costing Rs. 26 lakhs was not cancelled in spite of clear indications that became available subsequently that these wagons would turn out to be surplus. It is all the more surprising that this should have happened, when the supplier himself repeatedly made representations to the Railways for the cancellation of the order. The representatives of the Railway Board stated before the Committee that the main reason which weighed with them in not cancelling the order was that the cancellation would have entailed infructuous extra expenditure of Rs. 1.2 lakhs. They also argued that, though the Railways "could have done with fewer tank wagons", the procurement of these 100 wagons helped to make transportation "easy". It passes the Committee's comprehension how, for the sake of avoiding an epxenditure of Rs. 1.2 lakhs, the Railways accepted an avoidable capital investment of Rs. 26 lakhs, thereby commiting themselves to a recurring annual liability of Rs. 1.56 lakhs by way of dividend payable to the General revenues. As regards the view that these wagons helped to ease movements, the Committee see little justification in the Railways building up a large cushion of wagons to meet unforeseen fluctuations in traffic when the same purpose could well be served by better utilisation of wagons. The operational statistics given in the 'Review of Performance of Indian Government Railways' (February, 1969) would indicate that wagon kilometres per wagon day have progressively gone down from 60.1 in 1965-66 to 57:6 in 1967-68 in metre gauge sections. This signifies more detention of wagons in marshalling yards and at terminal points, which the Railways should be able to reduce with concerted effort. The Committee have already drown attention to this aspect of wagon utilisation as also the existence of surplul wagon capacity in the

Railways in paras 1.35 and 1.36 of their Forty-Ninth Report (Fourth Lok Sabha). The Committee hope that, in the light of those observations, earnest efforts will be made by the Railways and the Planning Commission to assess the existing wagon capacity and the scope for improved utilisation of existing wagon stock, so that precious and scarce resources are not unnecessarily deployed in the purchase of wagons during the Fourth Plan period.

2.106. The Committee also understand that the Administrative Reforms Commission is comprehensively studying the working of the Railways. The Committee have no doubt that this aspect of the operation of the Railways will in the course of the study receive the importance it deserves and that the results of this study will become available to the Railways and the Planning Commission in time to facilitate the formulation of a correct wagon provisioning policy for the Fourth Plan.

Loss due to procurement of steel sheets and plates with deficient copper content

Audit Paragraph

2.107. The 32nd Report of the Public Accounts Committee (Third Lok Sabha) dealt with a case of failure by the India Supply Mission, London, in inspecting the supply of steel sheets to the Railways which did not contain copper as per specifications. Although the observations of the Committee had been brought to the notice of the Mission on 19th June, 1965 for strict compliance, the omissions recurred in the inspections conducted in May, 1966 and subsequently.

2.108. The Ministry of Railways (Railway Board) concluded, in February and March, 1966, three contracts with a foreign firm, for the supply of 8,353 tonnes of steel plates and sheets containing copper to the extent of 0.2 to 0.35 per cent, to the Integral Coach Factory and Bharat Earth Movers Ltd., for the manufacture of coaches. Bulk of the materials duly inspected by the India Supply Mission were received between August, 1966 and October, 1966. On a check of the chemical composition in October, 1966, it was noticed that the sheets and plates contained only traces of copper ranging from 0.01 to 0.10 per cent against the required percentage of 0.2 to 0.35. This finding was confirmed in December, 1966 through an independent chemical analysis carried out at the National Test House, Alipore, Calcutta.

2.109. On the deficiency in copper being brought to the notice of India Supply Mission in November, 1966 it was understood that the Mission's inspection certificates stating that the supplies conformed to the specifications were issued merely on the basis of Mills' own inspection

certificates and only some test check with regard to physical dimensions was carried out. Neither chemical analysis of the steel sheets and plates nor verification of the actual furnace charges etc., with the Mills' inspection certificates was ever done. When the relevant records were asked for by the inspection staff of the Mission, after this irregularity was established, the same were not produced by the suppliers.

2.110. Nine more contracts were subsequently placed with the firm, of which six contracts were placed for a quantity of 10,370 tonnes of copper bearing plates and sheets valued at 10.93 lakh dollars after the Railway Board came to know about the defective supply in November, 1966. Between June and August, 1967, a total quantity of 3,013 tonnes of steel sheets were received against one of these subsequent contracts duly analysed by the India Supply Mission and certified as having the specified content of copper. Even these later receipts were found to be deficient in copper content as per tests conducted by the Integral Coach Factory and the fact was brought to the notice of the India Supply Mission by the Ministry of Railways, in June, 1967. The Director General, India Supply Mission, replied that the subsequent supplies were certified by him only after a very careful check and chemical analysis of the samples as having a copper content to the extent of 0.21 and 0.31 per cent. He, therefore, called for a recheck of the material. The National Test House, Alipore, on recheck, confirmed the findings of the Integral Coach Factory Administration, 2,865 tonnes of sheets, samples from which were tested, were found to contain copper ranging from 0.01 to 0.05 per cent.

2.111. Further, it subsequently came to notice that the Mills' certificates, on the basis of which the India Supply Mission issued their inspection certificates, themselves contained a number of discrepancies. In most of the cases the 'heat numbers' indicated in the Mills' certificates did not tally with the heat numbers available on the sheets. In some cases heat numbers were not at all traceable on the sheets and in some other cases the details of the copper content furnished in the Mills' certificates appeared to have been inserted later.

2.112. The copper bearing steel is expected to offer greater resistance to atmospheric corrosion and consequent increase in the life of the steel is likely to be anywhere between 50 to 100 per cent. Thus the use of non-copper bearing steel is likely to reduce the life of the sheets to prevent which it would be necessary to keep a watch on the coaches and repaint the surfaces at suitable intervals involving extra efforts and additional expense.

2.113. It has so far been established that a quantity of 12,215 tonnes of steel sheets have been received with deficient copper content. The

rates at which these sheets and plates were purchased varied from 89 dollars per tonne to 139 dollars per tonne. The question of compensation from the firm is stated to be under negotiation.

[Paragraph No. 19—Audit Report (Railways), 1968]

2.114. From copies of certain reports furnished by the Ministry of Railways, the Committee observe that the circumstances leading to the supply of sheets deficient in copper were investigated by the India Supply Mission. The investigation disclosed the following position:

(i) Throughout 1966, the contractor on whom orders were placed for supply of copper bearing sheets had asked the mills concerned to manufacte "non copper-bearing unkilled ordinary. Thomas Quality sheets." Approximately 4,250 tonnes of such sheets were so manufactured. The sizes in which these sheets were manufactured "were for bigger thickness (than stipulated in the contract) with no plus tolerances, but with as much as 20 per cent minus tolerance."

(ii) Likewise, in 1967 also, the mills manufactured "approximately 2,000 tonnes of ordinary steel, half hot rolled and half cold rolled, but neither with copper nor killed." "A small quantity of approximately 40 tonnes" was however "rolled for copper bearing steel" towards the end of 1967, under instructions on behalf of the contractor.

2.115. Noting the fact that the inspection of the stores was done by the India Supply Mission, the Committee recalled the observations in their 32nd Report and enquired what steps had been taken to streamline inspection of steel sheets and more particularly to prescribe chemical analysis of sheets as part of the inspection routine. The Committee were informed that "with regard to the PAC's 32nd Report, an Office Order was issued by India Supply Mission calling upon the Inspecting officers to show extreme caution in inspecting goods without reference to official copies of orders and exercise due care to see that the material conformed to specifications. This office order is kept in view whilst doing inspection. In fact no steel is approved without a physical check and cheking chemical analysis test sheets produced by the Mills. After the complaints began to come from the Integral Coach Factory, the India Supply Mission took the unusual step of carrying out independent chemical analysis tests also."

2.116. The Committe note that the physical inspection done by the Indian Supply Mission failed to disclose the fact that subsequently came to notice during investigations that some of the sheets were of

"bigger thicknesses" than stipulated in the contract. As regards chemical analysis of the sheets, for which the India Supply Mission relied on the Mills' own certificates, it is seen that the investigations conducted by the India Supply Mission disclosed that "they were forged" and that the relevant test sheets "were falsified in terms of chemical composition, quality etc." When the matter was brought to the notice of the Mills, they said that "they had no alternative but to accept that someone in their organisation must have been in collusion with M|s..... (contractor), in being able to get hold of black sheets of Mills' production proforma and fill in data by retaining certain works order numbers correctly but completely altering the description of the material, the specification, the chemical composition, tonnages and in certain instances the sizes also."

2.117. The Committee also note in this connection from the investigation report that one of the complaints lodged by India Supply Mission with the Mills was that "in 1967 our engineers were not allowed to do any inspection at the Mills during the normal working hours."

2.118. The Committee enquired what action was taken against the firm after the deficiencies in the sheets were reported by the Integral Coach Factory to whom these sheets were mainly sent. The Ministry of Railways in a note gave the following reply:

> "When the second complaint of copper deficiency was reported by Integral Coach Factory in June, 1967, it was decided by the Board to stop further dealings with the firm.
>
> It was also decided at that time, *i.e.*, in June|July, 1967, to terminate the outstanding contracts as and when the delivery period expired (to ensure that there was no breach of contract from our side rendering us liable for claims). In accordance with this decision, a total quantity of 12,480 tonnes has been cancelled|under cancellation valued at $1,242,150..."
>
> "An amount of $1,06,542 due to the firm for a consignment of 1149 tonnes of plates shipped in August, 1967 has been withheld towards compensation for deficiencies in earlier supplies.
>
> Performance Guarantee Bonds executed by the firm have been enforced against each contract and an amount of $45,344 encashed in the first stage and subsequently a further amount of $21,853.50 was encashed to make up the compensation

negotiated in March, 1968. Compensation amount of $1 73,739·50 was agreed upon by the India Supply Mission and the suppliers, to cover primarily for the deficiency of copper and also for other deficiencies revealed during investigation, *i.e.*, killing and process of manufacture in the steel supplied.

The performance Guarantee Bonds are still valid for a further balance of $11,671.50.

Agency commission to the extent of $4,868 payable in terms of the contract has been withheld."

2.119. The Committee enquired about the details of settlement made with the firm. From copies of the relevant minutes, it is seen that a compensation of $173,739·50 was negotiated as follows:

(*i*) Copper contents 12,215 tons @ $8·5 per ton.	$103,827·50	(This is the cost of repainting reported by the Railway Board).
ii) Killing 14, 898 tons@ $4·00 per ton.	$59,592·00	
(*iii*) Process of manufacture 5,160 tons @ $2·00 per ton.	$10,320·00	
Total . .	$173,739·50	

2.120. The Committee also observe from the terms of settlement that 1149 tonnes of plates shipped in August, 1967 for which payment was withheld by the India Supply Mission were sheets of Czech origin. One of the terms of the settlement was that this would be paid for in rupees.

2.121. The Committee were informed by the Ministry of Railways that after this settlement was reached, the solicitors of the firm with whom the contract was placed indicated that the firm intended to file a suit against the shipping agents of India Supply Mission (an English firm) for having shipped the consignments of 1127 tonnes supplied without delivering the bills of lading to the firm to enable them to claim payment. The firm also indicated that they would "refer the question of cancellation of subsequent contracts" placed by Government with the firm for "arbitration" the India Supply Mission had 'indemnified" the shipping agents "for charges made against them" and instructed their solicitors to "take appropriate action to:

"(i) have the Government of India added as a party to the proceedings;

(ii) stay the action on the grounds of immunity" (as "a foreign sovereign is involved)."

2.122. The Committee enquired whether in cases involving supply of material to Railways against contracts placed by India Supply Mission, inspection was being remitted to outside agencies|foreign Railways and if so, on what terms. The following position in this respect was explained to the Committee:

"In the contracts placed in U.K.|Continent D.G.|I.S.M., London| his nominee is nominated as inspection authority on behalf of the purchaser. It is DG|ISM who decides in consultation with the Railway Adviser, London, whether to remit the inspection work to outside agency|foreign railway, and if so, to what extent and on what terms. The DG|ISM has agreements with the National Railway Undertakings in Germany, France, Austria, Belgium, Switzerland etc. for undertaking inspection. Generally speaking, inspection of specialised railway equipment, such as, rolling stock and rolling stock components is entrusted to theese foreign Railways| outiside agencies. General items, such as 'steel' are inspected by ISM's own inspection wing which has qualified engineers. Inspection of steel ordered on M|s..... was undertaken by ISM's own inspection wing".

2.123. The Committee asked for data about expenditure incurred during the last 3 years in payment of remuneration to outside agencies. The information furnished on this point is reproduced below:

"The inspection charges vary between 0.15 to 1 per cent depending on nature of stores and location of stores. The year-wise inspection fees paid to outside agencies|national railway undertakings, as advised by the India Supply Mission is as under:

Year	Contracts placed by	Amount paid to (in Pound Sterling)		
		Outside agencies	National Railways	Total
1965-66	ISM	91	29,749	35,991
	Directly from India (Inspection by ISM)	4,705	1,446	
1966-67	ISM	74	10,069	12,781
	Directly from India (Inspection by ISM)	1,376	1,262	
1967-68	ISM	Nil	18,323	24,754
	Directly from India (Inspection by ISM)	4,728	1,703	

2,124. The Committee are distressed to note that 12,215 tonnes out of about 12,000 tonnes of steel sheets/plates supplied by an overseas firm to the Railways did not contain copper according to contract specifications. Besides, some of the sheets turned out to be thicker than stipulated in the contracts. The inspection of these sheets/plates was conducted by the India Supply Mission, London, but they failed to detect that some of the sheets did not conform to contract specifications in the matter of thickness. As regards the chemical properties of the sheets, they relied largely on the Mills' own certificates, but these turned out, on subsequent investigations, to be "forged". In fact, these investigations disclosed that the firm, with whom the contracts were placed did not ask the Mills to produce copper-bearing sheets at all, except for a negligible quantity of 40 tonnes and that in "collusion" with some of the Mills employees "falsified" the certificates. Adequate facilities were also apparently not given to the Inspecting Staff of the India Supply Mission to carry out the inspection.

2.125. In para 34 of their Thirty-Second Report (Third Lok Sabha, the Committee had commented on the failure of the India Supply Mission to detect the absence of copper in certain consignments of steel sheets supplied to the Railways. It is regrettable that an identical lapse should have recurred and that, in the course of inspection, the India Supply Mission even failed to detect dimentional deficiencies in the sheets. The Committee would like Government to fix responsibility for the lapses that occurred on the part of the Inspection Staff.

2.126. Another aspect of the case calling for comment is the fact that even after the deficiencies in the lots supplied to the Integral Coach Factory came to the notice of the Railways, Six more contracts were placed with the same firm. The Committee would like Government to investigate how this happened and fix responsibility.

2.127. The Committee note that the question of compensation to be paid for the deficient sheets is still in dispute. They would like to be apprised of the progress made in realising compensation from the firm to the extent it is not covererd by securities held or encashed.

2.128. From the information furnished by the Railway Board, the Committee observe that during the last three years a sum of £ 73,526 was paid as remuneration to foreign Railways and other agencies for inspection of Railway stores for which orders were placed with the overseas suppliers. The Indian High Commission in London has a Railway Adviser and the India Supply Mission, London have their own complement of inspecting staff. The Committee would like Government to examine whether it is not possible for these two agencies to conduct inspection in such cases also, so that the expenditure incurred on the payment of remuneration to foreign Railways and outside agencies could be saved.

North Eastern and Central Railways—Injudicious procurement of axle boxes

Audit Paragraph

2.129. Instances have come to notice where stores were procured without due regard in the specifications resulting in non-utilisation of stores over long periods.

North Eastern Railway

2.130. Indents were placed in November, 1953 and September, 1955 for the procurement of 6,090 and 2,100 axle boxes respectively although due to change in the specification of the journal to new Indian Standards the consumption of these non-IRS axle boxes had sharply come down. The consumption in 1954-55 was only 2,909 against a consumption of 5,618 in 1952-53. A total of 7,990 axle boxes were received by the Administration between May, 1956 and January, 1958 against these indents, but only 706 axle boxes could be utilised till 1961, when it was decided to change the specification of the journal in the metre gauge brakevans specifically with a view to utilising these surplus axle zoxes. However, only 3,118 axle boxes could be used by the end of July, 1967, leaving a balance of 4,166 axle boxes valued at Rs. 3.21 lakhs.

Central Railway

2.131. Out of 494 axle boxes procured in 1957 for the old type E.M.U. coaches which were replaced by new coaches fitted with roller bearings, only 88 axle boxes could be utilised till May 1965. The value of the remaining 406 axle boxes was Rs. 52 thousand, but a Survey Committee, which recommended their scrapping, placed the scrap value at Rs. 2,040 only.

[Paragraph No. 20, Audit Report (Railways), 1968].

2.132. Taking up the question of surplus non-IRS axle boxes in N. E. Railway, the Committee enquired whether there had been any change in the specifications, which had affected the consumption of those boxes. The Ministry of Railways have stated:

".....prior to 1952 during OT Railway times instructions had been issued that non-standard 7" x 3½" journal size wheel sets should be replaced by IRCA 7" x 4" wheel sets but upto the time when the indents in question were placed these instructions had not been implemented. Even in 1955 when the position was reviewed, it was found that the workshops were not in a position to undertake this conversion work for some time to come

as it involved complete change in the running gear compone nts. Therefore, even though instructions did exist for replacement of 7" x 3½" journal size wheel sets and axle boxes, the actual position is that this conversion work has not been carried out uptil now and therefore, this fact has had no bearing on the consumption of axle boxes."

2.133. The Committee enquired whether, with a view to utilising the surplus boxes, the specification for the boxes to be used in wagons was changed, as stated in the Audit paragraph. The position has been explained by the Ministry of Railways as follows:

> ".....specification of the journal for M. G. brake vans did not undergo any change. The fact was that for building new wagons both B. G. and M. G., there was shortage of I. R. S. standard wheelsets and in order to overcome this difficulty instructions were issued by the Railway Board in September and October, 1960 that standard IRS wheelsets should be released and replaced by old type of non-standard wheelsets both on B. G. and M. G. open line stock where this change would not result in reduction in the carrying capacity. As examples, goods brake vans, sheep vans, departmental wagons, some parcel vans etc. were sugested for this purpose. These instructions were issued *vide* Railway Board's letters No. 57|960|5|M (N), dated 6-9-60 and 1:1060 and copies of these are attached as annexure I and II. Therefore, it will be seen that these instructions were issued for an altogether different purpose and not with a view to utilise the stock of 7" x 3½" axle boxes held by North Eastern Railway."

2.134. The Committee asked what was the position in regard to unutilised axle boxes. The Ministry of Railways have stated: "The present stock of these axle boxes is 4032 nos. For wagons fitted with 7" x 3½" axle boxes which will still remain with North Eastern Railway the future requirement has been assessed as 350 Nos. per year and it is intended to retain 5 years stock to meet this requirement. This will enable utilisation of 1750 axle boxes which will leave a balance of 2282 nos. which will have to be scrapped."

2.135. The Committee wanted to know on what basis the indent for the boxes was placed in September, 1955. The Ministry of Railways have replied: "At the time of placing indent in September, 1955 the annual consumption rate was based on the average of previous 3 years actual consumption which was as follows:

1952-53	..	5618
1953-54	..	5544
1954-55	..	2909

In calculating the quantity to be indented the annual consumption rate was taken as 4600 nos. and the stock on hand and the outstanding indents were taken in to accounts."

2.136. The Committee asked how, if as stated by the Railways, the indents were based on stocks in hand plus consumption, the Railways were faced with the prospect of having to scrap 2282 axle boxes. It has been stated by the Ministry of Railways that "Axle boxes 7" x 3½" are fitted on old type of wagons which started getting condemned in considerable numbers from 1953-54 onwards. The number of wagons condemned during the period from 1952-53 to 1961-62 is given below:—

Year	No. of wagons condemned
1952-53 ..	399
1953-54 ..	1601
1954-55 ..	1141
1955-56 ..	1562
1956-57 ..	784
1957-58 ..	752
1958-59 ..	412
1959-60 ..	311
1960-61 ..	121
1961-62 ..	63

In September, 1955 the average consumption rate was assessed as 4600 Nos. per year. This was based on the average of the previous years' consumption. Although this is the normal practice followed, but the special feature in this particular case viz. that a number of non-standard wagons with 7" x 3½" axle boxes were being condemned was not taken into account. This aspect was particularly important because with less number of non-standard wagons with 7" x 3½" axle boxes the consumption of such axle boxes would be less and secondly a substantial quantity of 7" x 3½" serviceable axle boxes would be released from condemned wagons. It was an omission that these factors were not taken into consideration while assessing the requirement and consequently axle boxes in excess of the actual requirement were indented. In September, 1955 when the indents were placed, the stock of the axle boxes in hand was nil but supply of 8990 numbers was awaited against earlier indents."

2.137. The Committee enquired about the book value of the axle boxes and the amount expected to be realised by their sale as scrap. The Ministry of Railways have stated "Based on the book rate of Rs. 78.22 per axle box the total cost of 2282 axle boxes comes to Rs. 1.78 lakhs. The rate at which these axle boxes after being scraped can be taken on books will be Rs. 98.00 per metric tonne. The weight of one axle box being approximately 19.5 Kg scrap rate per axle box comes to Rs. 1.91 and the credit for the scrap value of 2282 Nos. will be Rs. 4358.62. Therefore, the net loss due to scrapping of 2282 axle boxes will be Rs. 1.74 lakhs."

2.138. Taking up the question of surplus axle boxes procured for E.M.U. coaches in the Central Railway, the Committee enquired when the decision to replace the E. M. U. coaches by coaches with roller-bearings was taken. In their reply, the Ministry of Railways have stated: "In 1951 decision was taken to standardise roller-bearings for new coaches to be ordered in future. The code life of a coach is 30 years but replacement is made on age-cum-condition basis. Sufficient number of new coaches not being available to meet the increased requirement of traffic, coaches are often kept in service beyond their Code life of 30 years. Old E. M. U. motor coaches in question were placed on line during 1925-29. For their maintenance axle boxes 11" x 5½" journal size will continue to be required upto the time these coaches remain in service."

2.139. The Committee wanted to know how many of the axle boxes procured for the E. M. U. coaches had turned out to be surplus. The position as explained by the Ministry of Railways is as follows:

> "There were 406 axle boxes left over on Central Railway. Out of these 177 have been drawn by Western Railway which has 33 motor coaches on which these can be used. Further 131 nos. are expected to be utilised on Central Railway itself during the course of next 8 years for which period the motor coaches are likely to remain in service. This will leave only 98 axle boxes surplus to the requirement which will have to be scrapped."

2.140. The Committee regret to note that out of 8,190 axle boxes procured by the North Eastern Railway for use in wagons, as many as 2282 axle boxes valued at Rs. 1.78 lakhs have turned out to be surplus, and that the Railways are likely to sustain a loss of Rs. 1.74 lakhs due to the proposal to scrap these surplus axle boxes. The Committee further note that the excess procurement occurred due to the failure of the Railways to take into account the fact that the wagons for which these boxes were needed were being condemned in large number. The Committee would like the Railways to investigate the circumstances in which this failure occurred.

2.141. The Committee also observe that as many as 98 axle boxes out of 494 procured for the old type E.M.U. coaches in the Central Railway have been rendered surplus and will have to be scrapped. The Committee would like the Railways to investigate the circumstances in which these boxes came to be purchased in excessive numbers.

Southern, Northern and North Eastern Railways procurement of aluminium cables

Audit Paragraph

2.142. In September, 1963, the policy of the Government on substitution of aluminium for copper in the cable industry was outlined in a letter issued by the Ministry of Industry to various firms manufacturing cables. This was followed by another circular letter by the Director General, Technical Development in November, 1963 stating that all cables except a few specialised requirements should be manufactured in aluminium instead of copper by October, 1964.

2.143. The Ministry of Railways, however, took up the matter with the Director General, Technical Development in December, 1963 stating that Railway signalling cables would necessarily have to be of copper until exhaustive studies in regard to use of aluminium for copper were made. The Director General, Technical Development had, accordingly, permitted a Bombay firm and two Calcutta firms in May, 1964, to continue the manufacture of Railway signallling cables with copper.

2.144. However, some Railway Administrations procured aluminium cables which could not be utilised.

Southern Railway.

2.145. Against the indent for multi-stranded signalling cables with copper conductors (two sizes) placed by the Southern Railway Administration in March, 1964, the Director General, Supplies and Disposals advised in April, 1964 that cables of one of the sizes could be manufactured only in aluminium. This was accepted by the Administration in May, 1964, contrary to the existing specifications for the cables. Orders for 6,00,000 metres of this size were, therefore, placed in September, 1964 on four firms. Three of the firms did not get the exemption referred to above, the quantity ordered on the fourth firm being negligible.

2.146. An attempt to cancel the indent was made only in February, 1965, as a result of which a small quantity of 34,500 metres could be cancelled. The balance quantity of 5,65, 500 metres costing Rs. 3.64 lakhs were received between January and July, 1965.

2.147. The Administration stated (February, 1968) that the cables though not suitable for low voltage signalling could be used in power supply circuits and high voltage feeds and would be used in due course. The stock in January, 1968 was stated to be 1,54, 250 metres, the balance quantities having been issued to the Signal and Electrical Departments or transferred to other Railways.

Northern Railway

2.148. The Northern Railway Administration placed an indent for the supply of signalling cables with copper conductors on the Director General, Supplies and Disposals in October, 1964 but the latter placed an order in April, 1965 for the supply of 2,99,400 metres of cables with aluminium conductors at a value of Rs. 1.17 lakhs. The material was received in June-July, 1965, but the change of specification was noticed only in August, 1965, on receipt of a report from one of the consumers. On the advice of the Signal Department that the circuit carrying capacity of cables with aluminium and copper conductors were the same, the Administration decided, in December, 1965, to accept the supplies. It was only in March, 1966, that is, almost a year after the order was placed on the firm, that the Administration addressed the Director General, Suplies and Disposals enquiring how the specification in the indent had been changed without informing the Railway. Meanwhile, instructions were issued by the Administration in March, 1967, on the advice of the Signal Department again, that the cables with aluminium conductors were not to be used in railway signalling circuits connected to train operation. The Administration stated (February, 1968) that 33,000 metres were utilised in circuits not connected with train operation and for other electrical works.

North Eastern Railway.

2.149. Against the indents placed by the Administration for the supply of train lighting cables with copper conductor of a particular size, required for coach wiring, the Director General, Supplies and Disposals offered supply of cables with aluminium conductor of a different size. As the offer was accepted by the Administration the Director General, Supplies and Disposals placed orders for the cables and a total quantity of 19,300 metres of such cable valued at Rs. 70 thousand was received on the Railway between February and June, 1965. The Administration stated (February, 1968) that about 8,300 metres of cables were in stock in December, 1967.

[Paragraph 22 of Audit Report (Railways), 1968]

2.150. The Committee were informed that, with a view to conserve copper, Government took a policy decision that cables of specified sizes should be manufactured in the country with aluminium as the conductor, instead of copper. This decision was communicated by the Directorate General of Technical Development to the cable manufacturers in September, 1963. The Railway Authorities, however, represented that the switch-over from copper to aluminium in Railway sig-

nalling circuits would take time. The Director General of Technical Development, thereafter, permitted three firms in May, 1964 to continue manufacture of all sizes of Railway signalling cables with copper.

2.151. The Committee enquired whether this decision was konwn to the Director General, Supplies and Disposals, through whom orders in the cases mentioned in the Audit paragraph were placed. The Ministry of Railways have stated in a note: "It was within the knowledge of Director General, Supplies and Disposals that three firms by the name M|s. Cable Corporation of India Ltd. Bombay, M|s. Indian Cable Co. Limited, Calcutta and M|s. National Insulated Cable Co., Calcutta have been given relaxation to manufacture Railway signalling cable with copper conductors. Subsequently, this matter was discussed at a meeting convened by Director General, Technical Development on 5.10.1964 when the representative of Director General, Supplies and Disposals was also present. It was decided at this meeting that copper conductors will continue to be used for all sizes of Railway signalling cables. The minutes of this meeting were sent to Director General, Supplies and Disposals also."

2.152. The Committee asked why, if the Director General, Supplies and Disposals was aware that only three firms had been permitted to manufacture signalling cables with copper, the orders for the cables were placed with firms who had not been given such permission. In their reply, the Ministry of Railways have stated: "It is not clear from Director General, Supplies and Disposals' reply as to why they placed the orders for signalling cables with aluminium conductors in lieu of copper conductors. In fact, the size of the signalling cable required by Northern Railway was never banned by Director General, Technical Development for manufacture with copper conductors."

2.153. Taking note of the position that of the two Zonal Railways which procured signalling cables, (*i.e.*, Southern and Northern Railways), in one Railway (*i.e.*, Southern Railway) the decision to accept aluminium instead of copper cable was taken by the Railway Administration itself, the Committee enquired how this came to pass and at what level the decision to accept aluminium instead of copper cables was taken. The Ministry of Railways have stated: "The decision to accept aluminium cable against item 2 of the Southern Railway was taken by an Assistant Signal & Telecommunication Engineer. It is because of this that disciplinary action has been taken against the Officer concerned who failed to obtain the approval at an appropriate level."

2.154. The Committee pointed out that in the case of the indents placed by the other Railway (Northern Railway), the decision to accept aluminium instead of copper cables was taken, by the Director General, Supplies and Disposals through whom the orders were. Item 10 (a) to (d) of List of Points placed, without consulting the Railways and enquired when the change in specifications was noticed by the Railways and what action was taken thereafter. In their reply, the Ministry of Railways have stated:

"The materials were received by the various indentors during the period 30th June, 1965 to 30th September, 1965. The complaints were made by the consignees as early as 5th August, 1965."

"It was found that the current carrying capacity of the aluminium conductor was the same as of the copper conductor for which the indent was placed. Northern Railway, therefore, decided to accept the cables and utilise it for circuits other than safety signalling circuits."

"After checking up the matter with the consignees about the incorrect supplies, the matter was taken up by Northern Railway on 14-3-1966, *i.e.*, within 9 months of receipt of the first consignment."

"It is seen that it was only on 3rd August, 1967, *i.e.*, after a lapse of nearly 1-1/2 years, that Director General, Supplies and Disposals wrote to Northern Railway that their case is missing and they wanted the Northern Railway to give them the duplicate copies of the necesary documents. The documents were supplied by Northern Railway on 27-9-67. After that, no further action seems to have been takes by Director General, Supplies and Disposals."

2.155. The following picture of the utilisation of cable was furnished to the Committee:

"*Southern Railway.*—Out of 5,655 coils, 4158 have already been issued for consumption to other Railways and Electrical Department, Southern Railway, on demand. Balance, 1,497 coils are still available in the Construction Depot, Arkonam. The cables have been utilised in non-vital Power Supply circuits."

Northern Railway.—Out of 2,99,400 metres received by Northern Railway, 1,04,305 metres have already been issued and the balance of 1,95,095 is still available. The cables have been utilised for telecommunication circuits not connected with train operation and also for Power Supply circuits.

2.156. The Committee enquired whether the cables issued for use in power-supply and telecommunication circuits in Southern Railway and Northern Railway had in fact been used. The Ministry of Railways have stated: "As the cables have been supplied to a number of consignees, it has not been possible to collect information from all of them. It is, however, ascertained from the Railways that a few consignees, who have replied so far, have intimated full utilisation of the cables taken over by them."

2.157. The Committee note that cables made of aluminium worth Rs. 4.81 lakhs were procured by the Northern and Southern Railways for use in signalling circuits though the policy of the Railway Administration was to use only copper cables in these circuits. Consequently these cables could not be utilised for signalling work and had to be diverted for use in other circuits. The Committee note from the information furnished by the Railway Board that a complete picture of the utilisation of these cables is not yet available. Besides, as much as 3.44 lakh metres of cables out of 8.65 lakhs procured by these two Railways, remain unused. The Committee would like the Railways to examine whether these cables could be put to use. If there is no prospect of the cables being utilised in the near future, expeditious arrangements should be made for their disposal.

2.158. The Committee also note that though the D.G.S. & D. was asked to procure copper cables, orders were placed by his organisation in one of these cases for aluminium cables without prior clearance from the Railways. It is regrettable that this should have happened particularly when the organisation was aware that the Director General, Technical Development, had not banned the manufacture of that type of cable with copper conductors. It is also strange that though a complaint was made by the Northern Railway in this regard to the D.G.S. & D. in March, 1966 no conclusive action was taken by the latter, except for calling for copies of documents after a lapse of 18 months. The Committee would like Government to investigate the circumstances in which the D.G.S. & D. made an un-authorised deviation from the indent specifications while procuring the cables and fix responsibility on the party found at fault.

Western Railway—Loss of H/S.D. Oil due to seepage

Audit Paragraph

2.159. High speed diesel oil for fueling diesel locomotives was being stored in concrete tanks at Bandra shed from the year 1947-48. Due to heavy seepage noticed in 1960 two mild steel tanks were ordered to be transferred from another station in June, 1961. In April, 1962 it was decided to shift only one tank which was received in October, 1963, but

was erected only in January, 1967. The tank is expected to be commissioned when the flow meters are received.

2.160. Meanwhile, an estimated 93 kilolitres of oil costing about Rs. 58 thousand is reported to have been lost due to seepage in the years 1964-65 to 1966-67.

2.161. The Administration stated that part of the losses were attributable to handling, retail issues etc., and the exact quantum of loss due to seepage could not be assessed.

[Paragraph No. 23, of Audit Report (Railways), 1968].

2.162. The Committee were informed by the Ministry of Railways that the steel tank, which was received at Bandra in October 1963, was erected and commissioned in November, 1967. Explaining the circumstances under which the delay in erection took place, the Ministry of Railways have in a note stated as follows:

"On receipt of the tank at Bandra in October, 1963, preparation of the plant showing the foundation details and superstructure for erection of the tank were taken in hand. After finalising the plans, the Inspector of Explosives was contracted in March, 1964 for approving the installation. Change of the site for erection of the tank was suggested as the originally selected site was too near the shed. A new site was selected and the plans were revised accordingly and were approved by the Divisional Engineer, Bombay in September, 1964. Orders were issued for taking the work of providing the foundation. The work could not be taken in hand and had to await the finalisation of new zonal contracts as the old contract expired on 30-9-1964. An agreement was entered into with the new zonal contractor on 24-10-1964 and the foundation work was commenced in April, 1965 after preparing and obtaining approval of the work order.

As the new site plan and the installation were not formally approved by the Inspector of Explosives, a reference was again made to him in July, 1965. The Inspector of Explosives raised certain queries and fixed 30|31-7-1965 initially and later 13-9-1965 for joint inspection which could not take place. The Inspector of Explosives inspected the site on 16-10-65 and suggested certain modifications to the plans. The plans were revised accordingly and submitted to him on 18-12-1965. The plans were returned by the Inspector of explosives on 4-1-1966 asking for additional information. The necessary information,

which had to be collected from various departments, was ready by 27-5-1966 when it was sent to the Inspector of Explosives. To expedite the matter, the Divisional Engineer, Bombay wrote a Demi-Official letter on 30-5-1966 to the Inspector of Explosives and contacted him on telephone on 24-6-1966. The Assistant Engineer had personal discussion with the Inspector of Explosives on 25-6-1966 when the latter asked for some more details. The necessary information was collected and supplied on 21-7-1966. The Inspector of Explosives finally approved the plans for the installation and returned them on 9-12-1966."

The Ministry have also stated, "There was not doubt delay in commissioning of the steel tank and the question of fixing the responsibility under the consideration of the Railway Administration."

2.163. The Committee enquired whether the plans for the foundation and superstructure could not have been drawn up in advance of the receipt of the tank. The Ministry have in their reply stated, "The steel tank at Radhanpur was of large dimensions. In order to get it to the ground level from the masonary construction at Radhanpur and facilitate its transport, the tank had to be cut into smaller parts. It was not possible to prepare the plans for the foundation and superstructure in advance as the final size of the tank for erection was different from the original."

2.164. Taking note of the position that oil worth Rs. 58,000 was lost by the Railways, due to the delay in erection of the steel tank, during the period 1964-65 to 1966-67, the Committee enquired about the losses in 1967-68. In their reply the Ministry of Railways have stated:

"During the year 1967-68, approximately 5077 kilolitres of diesel oil was received at Bandra Loco Shed. The shortage detected during the period was 5 kilolitres. The approximate value of 5 kilolitres was Rs. 4100. The shortage was 0·08 per cent of the total receipts and was less than the margin of 0·2 per cent allowed for handling losses. There is, therefore, hardly any loss due to seepage."

2.165. The Committee regret to observe that it took the Railway Administration over four years to erect a steel oil storage tank after it was received at the site of work. A substantial quantity of oil which was, in the meanwhile, stored in concrete tanks was lost due to seepage, the loss on this account, including other sundry losses, amounting to Rs. 58,000. The Committee note that the delay in erecting the tank was caused by the time taken to obtain the approval of the Explosives Department for the

erection plans and that the question of fixing responsibility for the delay is under consideration.

2.166. The Committee deprecate the inordinately long time taken in settling preliminaries and formalities before taking in hand the work of installation of the tank. The Committee would like the Railways to impress on all concerned the need for adopting a purposive and businesslike approach in the execution of work which is necessary in the interest of stopping wastage.

III

WORKS EXPENDITURE

Western Railway—Defence construction of prestressed concrete girders

Audit Paragraph

3.1. In the Godhra—Ratlam doubling Project, 20 bridges were constructed with prestressed concrete girder spans. The manufacture, supply and erection of the girders (37 spans in all) was entrusted to a contractor at a cost of Rs. 8.86 lakhs. The contractor was also responsible for the supply of the design calculations and the working drawings. The bridges were opened for goods traffic from October, 1958 to April, 1960 and to passenger traffic from October, 1959 to May, 1960.

3.2. Certain damages to girder ends were noticed in two of the bridges at Hadap and Panam (14 spans in all) in March, 1962 and February, 1963. Immediately speed restrictions of 8 to 10 Kmph were imposed on both the bridges. Detailed investigations revealed that the damage was attributable to (i) absence of full contact at the girder seat|bearing plate contact surface, (ii) incorrect seating of bed plates on the bed blocks, (iii) use of softer type of coarse aggregate at or near the surface, (iv) inadequately repaired girder ends where damage had occurred during erection of the spans and (v) inadequate cover over reinforcement bars. A detailed inspection of all the prestressed concrete girders revealed that the defect in regard to the improper seating of the girders on the bearing plates was found in almost all the girder ends. Speed restrictions ranging from 'Deadstop' and 8 Kmph to 50 Kmph were thereafter imposed on 13 other bridges in 1962-63.

3.3. In order to remedy the defects it was considered necessary by the technical experts to replace the steel bearings by elastomeric bearing pads, besides attending to some repairs immediately. While the repairs had cost about Rs. 3 thousand, the provision of elastomeric pads for one bridge (for two girders) had cost Rs. 31 thousand.

3.4. While the speed restrictions on the bridge provided with the bearing pads and 8 other bridges had been progressively relaxed up to 75 Kmph and up to 50 Kmph in the case of two other bridges, the speed is still limited to 8 to 10 Kmph on the Panam and Hadap bridges (54

years after the defects came to notice) thus affecting the passage of trains on the important Bombay-Delhi main line.

3.5. Similar defects were also noticed on the girders constructed by the same firm for 3 bridges (17 girders) in the Indore-Devas-Ujjain construction, while on 22 girders constructed, also by the same firm, in Bhildi-Raniwara construction, longitudinal baircracks were noticed even at the time of their opening in April, 1958. The firm went into voluntary liquidation in 1962.

3.6. The Administration stated (October, 1967) that the defects in the girders for Godhra-Ratlam doubling were attributable to certain design defects and that there was no lack of supervision. The designs were, however, checked and approved by the Railway Administration and the Research and Designs Organisation of the Railways, before the construction. Further, the defects arising from launching of girders and the use of softer aggregates could have been prevented with adequate supervision.

[Paragraph No. 21—Audit Report (Railways), 1968].

3.7. The Committee were informed that out of 20 bridges built on Godhra-Ratlam section with prestressed concrete girders referred to in the Audit Para, speed restrictions had been imposed on 13 bridges on account of certain defects noticed during their service.

3.8. The Committee were also informed that on account of the speed restrictions, Mail and Express trains over this section would take an additional time of approximately 29 minutes. Passenger and goods trains whose maximum permissible speed was less, would however take extra time of about 8 minutes.

3.9. The Committee enquired why the defects in construction were not noticed during the execution of the work or immediately thereafter. The Member, Engineering Railway Board stated, "In 1957 when this was started, bridges with prestressed concrete girders was a new technology and these were almost the first bridges on the Indian Railways. There were three or four bridges built in Assam earlier in 1947-48 but there also it was done before Independence and apart from them no other prestressed concrete girder bridges have been constructed in the country. This was the first time that this was taken up. Therefore, both the railway engineers in the field, the engineers in the Design and Research Organisation and also the contractors did not have any good experience of doing this work. Although the designs supplied by the contractors were checked and found to be satisfactory, since the technology was new, these facts somehow came up only after the bridges were built."

3.10. When asked why this contractor was selected for the work when he did not have such experience, the witness stated, "This contractor had entered into collaboration with a foreigner Mr. Larsen whose firm had built a number of such bridges abroad. It was, therefore, thought that this new firm, a collaboration between Uttam Singh Duggal and foreign firm who had the experience would be able to do the work satisfactorily."

3.11. In reply to a question whether any special steps were taken to supervise the work, the witness stated, "Supervisors were there but the supervisors were also inexperienced."

3.12. The Committee enquired why the experiment was taken up when the contractors and the supervisors had no experience. The witness stated, "In those days steel was in short supply. We originally wanted to buy steel girders but then we had to import the entire quantity. Because this was a new technology adopted in other countries and because thereby we could save a lot of foreign exchange we went in for this."

3.13. The Committee enquired whether certain original measurements of the bridges were not available. The witness stated, "The girder is higher at the centre and a little lower at the two ends and the difference is known as camber. That alone is not available. Otherwise everything is available." He also informed the Committee that the defects which had come up had nothing to do with the camber measurements.

3.14. In reply to a question whether any investigation was carried out after the defects were noticed, the witness stated, "A joint investigation was carried out. It was inspected by the engineers of the railways, RDSO and, later on, the Chief Engineers, Highways, Madras and Chief Engineer, A. C. C."

3.15. In reply to a question why the defects were not rectified even 5 years after they came to notice, the witness stated, "We are trying to do our best. We really do not know exactly whether whatever we have carried out will prove successful. Therefore, we are going slow in the matter. It is a new thing and we cannot take things for granted. We had done it in one bridge and we have removed the restrictions."

3.16. When asked whether the defects were brought to the notice of the contractor, the witness stated, "It was not done. The defects were noticed in the month of March, 1962 and in May, 1962 the firm went into liquidation." In reply to a question why the Government waited for two months, the witness stated, "If a girder is found defective, it takes a little time to analyse the causes." The witness also informed the Committee that when they were trying a new technology this sort of thing could happen and it would not be correct to hold anybody responsible for this.

3.17. The Committee were further informed by the witness that there was no risk involved. There was only a question of speed restriction. Although in this particular case, they had not been successful, they had successfully constructed prestressed concrete bridges in Northern and Southern Railways.

3.18. The Committee desired to know the extra operational cost to the Railways due to slowing down of the passenger and goods trains on these bridges. They were informed in a written reply that the extra operational cost mainly on account of fuel consumption was Rs. 4,06,590, Rs. 2,91,310 and Rs. 2,44,000 in the years 1965-66, 1966-67 and 1967-68 respectively. The Ministry also added, "However, these losses are hypothetical and may not actually accrue in practice as all trains would not necessarily be running at the booked speed over these bridges, had speed restrictions not been imposed, and as in the case of goods trains, any time gained by removal of restrictions on these bridges may not necessarily result in reduction of total time taken on the engine run due to detention at stations for want of path, preference and of room in terminal yards."

3.19. The Committee enquired whether it was possible to carry out repairs to each of these bridges and what the cost of such repairs would be. The Ministry in a note have stated, "Cost of repairs to these bridges will be Rs. 22,000|- This includes the cost of certite mortar already in stock and cost of other repairs so far carried out. This does not, however include -

(i) the cost of jacking up the girders (Rs. 10,000|-) which in any case would have been incurred for cleaning and greasing the bearings due and

(ii) an amount of Rs. 28,000|- (approximately) already spent in procuring neoprene pads for two bridges (one bridge already provided) as an experimental measure for establishing the suitability of elastomeric bearings in railway bridges under Indian conditions."

3.20. The Committee also enquired about the cost of replacing these bridges and whether the Railways would accept the speed restrictions permanently in case the bridges were not replaced. The Ministry stated, "The cost of replacement of girders of all bridges or the Godhra Ratlam section is estimated at approximately Rs. 20 lakhs. Such heavy expenditure is not justified when repairs to the existing girders is possible and with these repairs existing speed restrictions can eventually be removed."

3.21. The Committee desired to know whether the firm went into liquidation to escape liability for the defective execution of works. The Ministry stated, "It would appear that the firm did not go into voluntary liquidation to escape liability for defective execution of the works. In fact,

the firm had decided to go into voluntary liquidation as early as May, 1962, whereas the nature of the damage to the ends of prestressed concrete girders came to light only after a detailed investigation carried out in May/June, 1963." In reply to a question whether legal advice was taken at any stage on the feasibility of taking action against the firm, the Ministry have stated in a note:-

> "The Ministry of Railways are advised that when a contract is under execution, it will be possible to prevent the contractor going into liquidation by resorting to section 559 of the Indian Companies Act, 1956 by making an application to the Court to have the dissolution of the Company declared void. It will thus be possible to exercise this right also during the maintenance period of six months provided under the existing contract in case the defects come to notice during this period. In the case under consideration, the defects came to notice only in March, 1962 long after the expiry of the period of maintenance, namely, 15-6-1960. In order to safeguard against an exceptional case of this nature, it would not seem advisable to extend the period of maintenance beyond the six months period provided for at present as this will have far reaching repercussions in respect of rates etc. quoted by the firms. It would not seem to be prudent to seek to make special provision, by way of long maintenance periods to cover such exceptional cases."

3.22. The Committee note from the papers furnished by the Ministry of Railways that legal opinion was sought by Government only in December, 1968, i.e. after this Committee's hearings. The reference made by the Ministry of Railways to Ministry of Law and the latter's reply are reproduced below:

Copy of Western Railway letter dated 11-12-1968

1. M|s.....Ltd. contractors of New Delhi were awarded a contract under Tender No. SC|221 for supplying at site and erecting in position prestressed concrete girders for various bridges of different spans on Godhra-Ratlam Section of this Railway. The tender documents along with the letter of acceptance are at pages 77 to 60c of this office file No. WC 177|10|1|39 Vol. I (linked) the said tender was governed by the Western Railway's General Conditions of Contract (Revised), a copy of which is placed below. The Contract agreement is at pages 116A and 116B. A copy of the contractors memorandum and articles of association is placed at flag 'A' of the linked file.

2. The contractors satisfactorily completed the above work by 15-12-1969 and the maintenance period expired on 15-6-1960. During the maintenance period no defects were noticed on the prestressed

concrete girders and the last dues of the contractors in respect of the above work were released on 28-10-1961.

3. The contractors adopted a resolution on 26-5-1962 to voluntarily liquidate their company and to wind up its affairs appointed one Shri.... as Honorary Liquidator.

4. The damage to the prestressed concrete girders on Hadap Bridge was first reported in March '62 and defects on Panam Bridge in January 63.

5. Legal opinion is now sought whether the contractors can be held liable for the defective work noticed after the maintenance period was over and whether a suit can be maintained against the successors. Shri.... was one of the Directors of the above company, whose address can be known.

[Copy of Ministry of Law (Department of Legal Affairs) Bombay, V. O. No. 3427|68-A. V. Bombay dated 17-12-1968.]

It is not clear from the referring note when the voluntary winding up proceedings terminated and when and whether the assets have been distributed. Once the company is dissolved the only action that can be taken by any interested person is under Section 559 of the Companies Act 1956 by making an application to the Court to have the dissolution of the company declared void. Since the company seems to have adopted a Resolution as far back as on 26-5-1962 to voluntarily liquidate the company, it seems very doubtful whether it will be possible to take any action under Section 559 of the Companies Act.

It is not possible to say on merits whether the Railways have got a good case, particularly in view of the fact that no defects were found during the six months maintenance period. Not all the facts are available to give any categorical opinion whether the Railway Administration had a strong case to claim damages for defective work. It may not now be possible to proceed against the Ex-Director of the Company which has gone into voluntary liquidation.

3.23. Taking note of the fact that the firm which had constructed these bridges, had also undertaken bridge construction in Indore-Dewas-Ujjain and Bhildi-Raniwara sections where defects in construction came similarly to notice, the Committee enquired when these contracts were placed. The Committeew ere i nformed that these contracts were placed in September 1956, i.e, more or less simultaneously with the contractors for contracts for bridges on Godhra-Ratlam section.

3.24. With regard to the longitudinal hair cracks in the girders on Indore-Dewas-Ujjain section, the Committee were informed, "Some paint has already been applied and we do hope that perhaps its life would not be affected, but it is anybody's guess. We cannot say anything definite."

3.25. In response to a question it was stated that no instructions were issued in regard to the care to be taken during the manufacture of prestressed girders consequent upon the defects noticed in the Bhildi-Baniwara construction. The latter were attributed to inadequate clear cover over prestressing cables and it was therefore ensured while casting the girders for the Godhra-Ratlam doubling that the prescribed cover was maintained.

3.26. The Committee were informed that "In respect of prestressed concrete girders on Bhildi-Raniwara construction, cracks were first noticed on 22nd April, 1958, during the maintenance period which expired on 15th September, 1958. In respect of girders on the Indore-Dewas-Ujjain construction, the defects in respect of uneven setting of bearings were noticed only in July, 1963 after the occurrence of cracks at girders seats on the girders of Godhra-Ratlam Section, when a detailed investigation of all the prestressed concrete girders was undertaken."

3.27. The Committee note that 13 out of 20 bridges built on the Godhra-Ratlam section at a cost of Rs. 5.72 lakhs developed defects within three to four years of their being opened to traffic. As a result, passenger and goods trains had to be slowed down on these bridges, entailing an extra operational cost to the Railways of Rs. 9.42 lakhs during the three years ending 1967-68. As the extra costs will continue to recur, the Committee hope early action will be taken to complete repairs to the bridges on which speed restrictions have been in existence in some form or other for the last six to seven years.

3.28. One aspect of the case calls for detailed examination by Government. The firm which executed this work and work in other sections, where also defects came to light, went into liquidation in 1962. By that time some of the defects in the work had already come to notice. It is not clear why the matter was not quickly investigated and legal opinion taken on the question whether any general damages could be claimed from the firm, notwithstanding the fact that by then the prescribed maintenance period (during which the contractor remained responsible for the work) had elapsed. In fact, legal opinion on this point was taken by Government only in December, 1968, i.e., after the Committee's hearings in connection with the case, and the opinion at that stage was that "not all facts are available to give any categorical opinion whether the Railway Administration had a strong case to claim damages for defective work", and that, in any case "it may not now be possible" to initiate action. The Committee would like the Railway Board to investigate why the case for claiming general damages was not speedily processed.

3.29. The Committee note that the construction of these bridges involved the use of a new technology with which the Railway engineers supervising the work were not fully familiar. As a matter of precaution, the Railways should have considered whether the 'maintenance period'

for the work, during which the contractor would be liable for defects, should have been longer than the normal period of six months. The omission in this respect enabled the contractor to escape liability for defective work. The Committee hope that Government will profit by this experience and issue instructions to ensure that maintenance periods for works involving new technology are fixed in such a way as a safeguard adequately Government's interests.

Western Railway—Failure of a contractor in Guna—Maksi Construction Project

Audit Paragraph

3.30. The proposed new line between Guna and Maksi was divided into six sections and tenders were invited for the earthwork and construction of bridges in June, 1962. A New Delhi firm were the lowest tenderers for both earthwork and bridge work in two of the sections. Though the firm was not on the approved list of the contractors of the Railway, the contracts were awarded to the firm at an aggregate cost of Rs. 44.75 lakhs on verification of their financial soundness and considering their experience in developing some housing colonies in New Delhi.

3.31. The firm, however, failed in all the four contracts after carrying out work valued at Rs. 10.32 lakhs. The contracts were thereupon rescinded in May, 1965 and fresh contracts were awarded at higher rates to complete the remaining work at the risk and cost of the firm. The approximate extra cost to the Administration came to Rs. 19.47 lakhs against which the Administration had withheld security deposit and dues totalling Rs. 1.89 lakhs. Six guarantee bonds for Rs. 1,04 lakhs were, however, not renewed in time and the Administration had lost the opportunity of withholding that amount. No other Railway or Government Department had awarded contracts to this firm.

3.32. In order to discourage big contractors from obtaining large contracts and working as middlemen by employing intermediaries and petty contractors for the actual work and in order to encourage smaller contractors locally available thereby ensuring better competitive rates, the Ministry of Railways (Railway Board) had suggested in August, 1959 and November, 1960 that, as far as practicable, the contracts for earthwork in doublings and new constructions should be limited to a value between Rs. 50 thousand and Rs. 1 lakh. The division of the work into six sections, the earthwork in each of which was estimated to cost between Rs. 6.2 lakhs and Rs. 13.3 lakhs, and the award of eathwork contracts for two of the sections at an aggregate estimated cost of Rs. 22. 4 lakhs to one contractor were not in consonance with the above suggestion.

[Paragraph No. 25—Audit Report (Railways), 1968].

3.33. The Committee were informed that the contractor stopped work in this case in June/July, 1964 and the contract was rescinded in May, 1965. As regards the extra cost due to the stoppage of work it was indicated that "Out of the 4 risk contracts only 3 have been completed so far. Hence the actual extra cost to be recovered from the contractors could not be correctly assessed till now. For the 3 contracts already completed the extra cost against the unfinished contract, which is likely to be completed by December, 1968, is about Rs. 3.31 lakhs. Including other sundry recoveries the total excess amount to be recovered from the contractor would thus work out to approximately Rs. 15.40 lakhs."

3.34. The Committee were further informed that the defaulting contractors had "filed a suit in the Bombay High Court against the Railway for recovery of about Rs. 8.02 lakhs towards claims and arrears of payment which are in their view due to them. After obtaining legal opinion, the Railway has decided that while defending this suit they will put in a counter claim for the entire amount due from the contractors. The Western Railway has been advised by the Bombay Branch of the Ministry of Law to ascertain the exact amount to be recovered after completing the fourth risk tender and thereafter make a counter-claim against the defaulting contract as indicated above."

3.35. The Committee enquired whether the government had filed a counter claim against the contractor. The witnesses stated, "The counter claim has not yet been filed, but it will be filed now. The exact amount which had been incurred in three zones is known; but in the fourth zone the work has not been completed and the amount is not known. Before the due date, the counter claim will be filed for the three zones and in the fourth zone as soon as the work is completed, it will be done."

3.36. The Committee were informed that the point raised in the suit which was filed by the contractor in May, 1967, related to the wrong classification of the earth work and incorrect measurements etc. by the Railway Administration. The witness also informed the Committee after that the suit was filed, the Railways moved the court with a plea that the case should be submitted for arbitration but the court dismissed their claim. When asked why no written statement was filed in the court, the representative of the Railway Board stated, "We went by the advice of our lawyers that the main claims can be finalised only when the contract is over, in December, 1968." He further stated that the court had not given time for filing and it was confirmed by them that their case would not be prejudiced by not filing a statement. The Ministry later informed the Committee in a written note, "In connection with the suit filed by the contractor, the Railway's written statement is under

for the work, during which the contractor would be liable for defects, should have been longer than the normal period of six months. The omission in this respect enabled the contractor to escape liability for defective work. The Committee hope that Government will profit by this experience and issue instructions to ensure that maintenance periods for works involying new technology are fixed in such a way as a safeguard adequately Government's interests.

Western Railway—Failure of a contractor in Guna—Maksi Construction Project

Audit Paragraph

3.30. The proposed new line between Guna and Maksi was divided into six sections and tenders were invited for the earthwork and construction of bridges in June, 1962. A New Delhi firm were the lowest tenderers for both earthwork and bridge work in two of the sections. Though the firm was not on the approved list of the contractors of the Railway, the contracts were awarded to the firm at an aggregate cost of Rs. 44.75 lakhs on verification of their financial soundness and considering their experience in developing some housing colonies in New Delhi.

3.31. The firm, however, failed in all the four contracts after carrying out work valued at Rs. 10.32 lakhs. The contracts were thereupon rescinded in May, 1965 and fresh contracts were awarded at higher rates to complete the remaining work at the risk and cost of the firm. The approximate extra cost to the Administration came to Rs. 19.47 lakhs against which the Administration had withheld security deposit and dues totalling Rs. 1.89 lakhs. Six guarantee bonds for Rs. 1,04 lakhs were, however, not renewed in time and the Administration had lost the opportunity of withholding that amount. No other Railway or Government Department had awarded contracts to this firm.

3.32. In order to discourage big contractors from obtaining large contracts and working as middlemen by employing intermediaries and petty contractors for the actual work and in order to encourage smaller contractors locally available thereby ensuring better competitive rates, the Ministry of Railways (Railway Board) had suggested in August, 1959 and November, 1960 that, as far as practicable, the contracts for earthwork in doublings and new constructions should be limited to a value between Rs. 50 thousand and Rs. 1 lakh. The division of the work into six sections, the earthwork in each of which was estimated to cost between Rs. 6.2 lakhs and Rs. 13.3 lakhs, and the award of eathwork contracts for two of the sections at an aggregate estimated cost of Rs. 22. 4 lakhs to one contractor were not in consonance with the above suggestion.

[Paragraph No. 25—Audit Report (Railways), 1968].

3.33. The Committee were informed that the contractor stopped work in this case in June/July, 1964 and the contract was rescinded in May, 1965. As regards the extra cost due to the stoppage of work it was indicated that " "Out of the 4 risk contracts only 3 have been completed so far. Hence the actual extra cost to be recovered from the contractors could not be correctly assessed till now. For the 3 contracts already completed the extra cost against the unfinished contract, which is likely to be completed by December, 1968, is about Rs. 3.31 lakhs. Including other sundry recoveries the total excess amount to be recovered from the contractor would thus work out to approximately Rs. 15.40 lakhs."

3.34. The Committee were further informed that the defaulting contractors had "filed a suit in the Bombay High Court against the Railway for recovery of about Rs. 8.02 lakhs towards claims and arrears of payment which are in their view due to them. After obtaining legal opinion, the Railway has decided that while defending this suit they will put in a counter claim for the entire amount due from the contractors. The Western Railway has been advised by the Bombay Branch of the Ministry of Law to ascertain the exact amount to be recovered after completing the fourth risk tender and thereafter make a counter-claim against the defaulting contract as indicated above."

3.35. The Committee enquired whether the government had filed a counter claim against the contractor. The witnesses stated, "The counter claim has not yet been filed, but it will be filed now. The exact amount which had been incurred in three zones is known; but in the fourth zone the work has not been completed and the amount is not known. Before the due date, the counter claim will be filed for the three zones and in the fourth zone as soon as the work is completed, it will be done."

3.36. The Committee were informed that the point raised in the suit which was filed by the contractor in May, 1967, related to the wrong classification of the earth work and incorrect measurements etc. by the Railway Administration. The witness also informed the Committee after that the suit was filed, the Railways moved the court with a plea that the case should be submitted for arbitration but the court dismissed their claim. When asked why no written statement was filed in the court, the representative of the Railway Board stated, "We went by the advice of our lawyers that the main claims can be finalised only when the contract is over, in December, 1968." He further stated that the court had not given time for filing and it was confirmed by them that their case would not be prejudiced by not filing a statement. The Ministry later informed the Committee in a written note, "In connection with the suit filed by the contractor, the Railway's written statement is under

compilation. The case has not yet been taken up by the Court. According to the advice of the Solicitor to the Central Government, this is a long cause suit and may not be taken up in 1968 or even in 1969."

3.37. The Committee enquired why there was delay in rescinding the contract. The Ministry in a note stated:

"The contractors stopped the work in June, 1964, one of the reasons being the onset of monsoon. They represented to the then Engineer-in-Chief(C), Kota in September, 1964, that they had not been paid for the full quantity of work done by them. The whole question was then examined by the Railway and a reply was sent to the contractors in October, 1964, incorporating 7 days' notice in terms of Clause 61 of the General Conditions of Contract, as the contractors did not start the work after Monsoon. The contractors thereafter submitted a petition to the Railway Administration in November, 1964, for settling the disputes. The matter was discussed by the Chief Engineer (Survey & Construction) with the contractors in December, 1964, and it was decided that re-assessment and re-measurement including classification of all works done by the contractors on earthwork and bridges should be carried out in the presence of the contractors. Accordingly, re-assessment of the work done by the contractors against all the four contracts was carried out from January to April, 1965, as a result of which it was observed that an amount of about Rs. 90,000/- was payable to the contractors against all the four contracts, in addition to the payments already made to the contractors. No payment could however be made to the contractors as they did not renew the lapsed guarantee bonds. The contractors did not also start the work, and the Railway was compelled to terminate the contracts in May, 1965."

3.38. The Committee pointed out that some of the guarantee bonds given by the contractor had lapsed and enquired how this situation arose. The Ministry of Railways in a note have furnished the following information:

"S. No.	Date of the Guarantee Bond	Value	Date of expiry
1	8-1-1963	20,000	7-9-1964
2	8-1-1963	20,000	7-9-1964
3	8-1-1963	9,000	7-7-1964
4	8-1-1963	10,000	7-7-1964
5	8-1-1963	23,900	1-11-1964
6	8-1-1963	21,000	1-11-1964"

3.39. In reply to a question whether any responsibility had been fixed for not renewing the Guarantee Bonds, the witness stated that a Senior Accounts Officer and an Executive Engineer were charge sheeted for dereliction of duty. A departmental inquiry by the Commissioner for Departmental Inquiries had been completed, and the Officers had been asked to furnish their final defence by 10-12-1968. After their final defence was received, a report would be submitted by the Commissioner for Departmental Inquiries.

3.40. The Committee enquired why the Administration considered that a firm experienced in developing Housing Colonies were capable of executing earth work and bridge work for the Railways. The witness stated, "This line was given a low priority and his tender was very much lower than the other contractors. They had not carried out any railway work before. It was a calculated risk taken by the Railways. The works in other Zones were also let out to such contractors who did not have adequate experience. They have been successfully carrying out the work. This is the only contractor who failed."

3.41. In reply to a question why the contract was placed on one contractor against the instructions issued by the Railway Board, the witness stated, "The limit was Rs. 50,000 to Rs. 1,00,000. That was the instruction issued in 1959. But soon after it was found to be unworkable. Because it was not possible to let out one small lengths such as one or two furlongs to different contractors."

3.42. In reply to a query, the witness stated, "When we invite open tenders for work, we do not go by the approved list. Any contractor can quote if he has the requisite experience and is able to produce credentials."

3.43. The Committee note that the extra expenditure recoverable by the Railways from the contractor in this case (which is still to be exactly assessed has become the subject-matter of a suit filed in court. They would, therefore, like to reserve their comments at this stage pending the outcome of the suit. One aspect of the case, however, calls for comment. Certain bonds of the value of Rs. 1.03 lakhs furnished by the contractor as guarantee for his performance under the contract were allowed to lapse. The Committee would like the disciplinary proceedings started against the defaulting officials in this connection to be expeditiously finalised.

Northern Railway—Avoidable extra expenditure in the construction of gang quarters

Audit Paragraph

3.44. A contract for the construction of 19 gang quarters in Lucknow-Sultanpur-Zafrabad section of Lucknow Division at an estimated cost of

Rs. 1.9 lakhs was awarded in May, 1959 stipulating completion by the 30th September, 1960. The accepted rates were 40 per cent and 24.5 per cent above the Schedule of Rates for wood work and other items respectively. In spite of the grant of two extensions (first upto 30th June, 1961 and then upto 31st December, 1961) the contractor could complete only 9 gang quarters mainly due to difficulties in procurement of bricks. His request for further extension upto 30th June, 1962 was not accepted, but no notice for termination of the contract was served on him.

3.45. Fresh tenders for the remaining work were invited in January, 1962, but, as the rates offered were very high, tenders were reinvited after a lapse of 10 months, in November, 1962. The original contractor was also asked in February, 1963, to intimate his willingness to complete the work at the rates already tendered by him. The contractor in reply requested for increase in rates, change in the site of some of the quarters, change in specification from surkhi to cement and extension for completion of work upto 31st December, 1964. A fresh contract with another contractor was finalised on the 27th May, 1963, after negotiations, at 95 per cent and 68 per cent above the Schedule of Rates for wood work and other items of work respectively, though, meanwhile, the existing contractor had delivered a letter, on 25th May, 1963, indicating his willingness to complete the remaining job at his original rates. It may be mentioned that the new contractor was allowed change in the site of 3 quarters and to use cement in place of surkhi.

3.46. In June, 1963, when the Railway Administration informed the original contractor about his liability for extra expenditure likely to be incurred in getting the work completed, he demanded arbitration. The arbitrator was appointed in September, 1964. Against Railway Administration's claim of Rs. 42,978 on account of extra expenditure the contractor demanded full and final settlement of his contract on payment of Rs. 38,033 and disputed Railway Administration's claims for the payment on the grounds of inordinate delay in the finalisation of the tenders for getting the remaining work done by another agency, failure of the Administration in not terminating the contractor before letting out a new contract and his willingness to complete the work at the rates. The arbitrator set aside the Railway's claims and awarded payment of a sum of Rs. 34,975 to the contractor in full and final settlement of all the claims.

3.47. The Administration stated (August, 1967) that a letter addressed to the old contractor on 30th November, 1961, refusing extension of time upto 30th June, 1962, constituted a notice of termination. Since the Administration themselves had again asked the contractor in February, 1963 to intimate his willingness to complete the work, the letter dated

30th November, 1961 could not have been construed as a notice of termination.

3.48. If the earlier contract had been terminated with proper notice at the time of entering into a fresh contract, the Administration would have been on stronger grounds to press their claims for the recovery of extra expenditure amounting to Rs. 43 thousand.

[Paragraph No. 26, Audit Report (Railways), 1968].

3.49. The Committee noted that the arbitrator's award went against the Railways for three reasons:

(i) Failure of the Railways to terminate the first contract before a new contract was concluded for completion of the unfinished work;

(ii) Delay in finalising the tenders for the new contract;

(iii) The willingness of the first contractor to complete the work.

3.50. Taking up the question of failure of the Railways to serve formal termination notice on the first contractor, the Committee enquired whether the contract contained any provision for works left incomplete by the contractor being completed at his risk and cost and if such a provision existed, why it was not resorted to. The Ministry of Railways have stated:

"The contract in question is covered by the Northern Railway 'General Conditions of Contract Regulations and Instructions for Tenderers and Standard Form of Contract, 1956'. In terms of Clause 17 (iv) read with Clause 62 of these General Conditions of Contract, the Railway was entitled to carry out the balance work through alternative agency and to recover the extra cost incurred in completing the balance work from the original contractor.

Action was taken by the Railway Administration to get the work completed by an alternative agency and to recover the extra cost incurred from the original contractor. The original contractor, however, took the matter to arbitration. The Arbitrator unfortunately set aside the Railway's claim for recovery of extra cost from the original contractor.

The Railway had sanctioned the extension of completion date of the contract upto 31.12.61 only and under their letter dated 24th July, 1961 had advised the contractor to arrange to complete the work in all respects by 31.12.61 failing which appropriate penalties would be imposed. Again on 30th November,

1961, Railways had advised the contractor that no more extension would be given and that the work should be completed by 31st December, 1961 failing which appropriate penalties would be imposed as per rules. The Railway Administration considered the issue of letters dated 24th July, 1961 and 31.11.61 as constituting a notice of termination of the contract."

3.51. The Committee enquired why, if it was the intention of the Railways to terminate the contract, notice of termination was not formally served in terms of clause 62 (i) (xii) (a) of the General Conditions of the contract. The Ministry of Railways have replied:

"Non-issue of rescission notice as required under clause 62 (i) (xii) (a) of the General Conditions of Contract was a regrettable omission. It may, however, be pointed out that same clause 62 (i) of the General Conditions of Contract includes the following provision also:—

'Provided always that in any case in which any of the powers conferred upon the Railway by sub-clause (1) of Clause 62 hereof shall have become exercisable and the same shall not be exercised, the non-exercise thereof shall not constitute a waiver of any of the conditions hereof and such powers shall notwithstanding be exercisable in the event of any future case of default by the Contractor for which his liability for past and future shall remain unaffected'.

It is, therefore, felt that in view of the above provision, non-issue of rescission notice alone should not invalidate the Railway's claim for recovery of damages."

3.52. Taking note of the delay in finalising tenders for the new contract awarded for the work left unfinished by the first contractor, the Committee asked what the reasons for the delay were. The Railway Board have stated that "the delay.... was partly on account of the time taken by the Division in examining the contractor's liability, best possible manner of getting the balance work completed and partly due to clerical delays." The Committee were also provided with a chronological statement of events in the case between 29th January, 1962, when the tenders were opened and 9th November, 1962, when fresh tenders were again called. The statement reads as follows:

"29-1-62—Fresh tenders for awarding remaining work to another contractor were opened. These were cancelled as the rates received were very high, i.e., 75 per cent above SOR.

31.3.62—As the fresh tenders were called for without giving termination notices to the defaulting contractor, DEN referred the matter to DAO, for his views in regard to levy of penalty.

18.4.62—DAO advised DEN that final notice should be issued to the defaulting contractor, in consultation with L.O. and in case that could not be done, excess payment would have to be got regularised.

21.4.62—DS Office put up case to DEN (I) for orders.

Case mixed up with other papers and no further progress was made in calling fresh tenders.

20.8.62—Case was traced lying with Drawing Branch.

20.8.62—DEN, replies to DAO's note of 18-4-62 and enquired of DAO in view of the position as it stood what action could be taken against the contractor. He opined that at the most Security money could be forfeited.

10.9.62—DAO advised DEN for taking action under Clause 62 (1) (a), (b), (c).

14.9.62—DEN ordered works Accountant to put up case for forfeiture of Security money of the contractor.

26.9.62—DS Office put up case to DEN for orders about recovery of risk cost from the defaulting contractor and for calling fresh tenders.

1.10.62—Decision taken for calling tenders for completing remaining work.

9.11-62—Fresh tenders were again invited and opened."

3.53. The Committee enquired why the first contractor's offer to complete the work was not availed of and his requests for increase in rate and change in site were not acceded to, when the Railway Administration made these concessions to the new contractor. In their reply, the Ministry of Railways have stated:

"The offer to the original contractor to complete the remaining work was made on the specific condition that he would be willing to do it at his original rates, terms and conditions. He however, offered to complete the work at enhanced rates and fresh terms and conditions as indicated below:

1. His rates would be Rs. 76 per cent and 46 per cent above SOR against his original rates of Rs. 40 per cent and 24.5 per cent above SOR for wood-work and other items respectively;

2. Gang huts should be located within station's sites;

3. Brick work should be done in cement instead of Surkhi Lime;

4. Issue of priority order for supply of vagons of building materials not locally available;

5. Departmental material like rails, asbestoes, cement, paint etc. should be supplied at site of work;

6. Priority for coal dust should be issued in advance;

7. Final bill should be prepared for each gang hut and not combined with other gang huts; and

8. Extension of period of completion of the work should be given upto 31-12-1964.

It was not intended to negotiate any higher rates and fresh terms of contract with the original contractor. The case of fresh contract awarded to an alternative agency was on a different footing inasmuch as it was intended to recover the extra cost from the original contract. Apart from the above even in the case of fresh contract, the sites of all gang huts were not changed and brought to stations at demanded by the original contractor. In case of fresh contract, out of 10 gang huts the site of one gang hut only was altered and brought to the station. In respect of other gang huts, only minor changes in the original site were made with a view to reduce the cost of foundation."

3.54. The Committee note that there was a "regrettable omission" on the part of the Railways to serve notice of termination on a contractor before letting out the portions of work left incomplete by him to a new contractor. The award of the work to the new contractor itself was delayed due to this omission and the "clerical delays" that occurred. In the result, the Railways had not only to forfeit their claim for a sum of Rs. 42,978, being the extra expenditure incurred on getting the unfinished work completed by the new contractor, but were also obliged to pay the contractor a sum of Rs. 34,975.

3.55. The Committee would like the Railways to investigate the circumstances in which these various lapses occurred and take appropriate action.

IV

UTILISATION OF ASSETS

South Eastern Railway—Additional facilities at Tatanagar and Adityapur yards

Audit Paragraph

4.1. In order to deal with the additional traffic on account of TISCO's expansion programme for increased production of steel from three quarter million tons per year by June, 1958, the South Eastern Railway Administration undertook a scheme, during the Second Five Year Plan, for providing additional facilities at Tatanagar and Adityapur Yards, at an estimated cost of Rs. 2.23 crores. The abstract estimate sanctioned by the Ministry of Railways (Railway Board) in January, 1958 provided for 65 lakh cft. of earthwork assessed on a rough calculation. Based on actual survey undertaken subsequently a revised abstract estimate for Rs. 2.71 crores providing 167 lakh cft. of earthwork, including 66 lakh cft. required for regarding was sanctioned in October, 1961. During execution of the work, the plan was further revised providing a hump in the yard, extension of length of the lines in the Marshalling Yards etc., and a second revised abstract estimate for Rs. 4.45 crores providing 243 lakh cft. of earthwork was sent to the Ministry of Railways (Railway Board) in March, 1967.

4.2. The original abstract estimate of 1957, the revised abstract estimate of 1960, and the second revised abstract estimate sent to the Railway Board in March, 1967, were all prepared to deal with the same additional traffic resulting from the expansion programme of TISCO. There had been no increase in the traffic forecasts which necessitated revision of estimates from time to time. It is understood that TISCO have also no further expansion programme till 1972-73.

4.3. Further, according to the original plan the yard was to be regarded to 1 in 400 but 66 lakh cft. earthwork required for this regarding was omitted to be included in the original abstract estimate of 1957. This quantity was subsequently included in the first revised abstract estimate of 1960.

4.4. The first contract for 101 lakh cft. of earthwork was awarded to a contractor in July, 1958. He had executed about 86 lakh cft. of earthwork by the middle of 1959 and no further progress could be made due

to non-availability of land. The Administration awarded fresh contracts from time to time to three other contractors at higher rates resulting in extra expenditure of Rs. 4.46 lakhs.

4.5. Thus, inadequate planning and inaccurate estimation of the physical requirements resulted in the cost of the work being almost doubled and the earthwork increasing by about 274 per cent.

4.6. The Ministry of Railways (Railway Board) to whom the second revised estimate was submitted in March, 1967, decided in October, 1967 that the scope of the work should be brought down to the extent possible.

[Paragraph 28—Audit Report (Railways), 7968].

4.7: Noting the fact that the scheme for expansion of the yards at Tatanagar and Adityapur underwent several changes from time to time, the Committee enquired what exactly was the scope of the facilities planned in these yards at various stages. The information on this point furnished by the Ministry of Railways is tabulated below:

	Capacity of the yards	
	Tatanagar	Adityapur
(*i*) Before additional facilities were provided in 1957 .	1718	360
(*ii*) as per original estimate prepared in 1957 .	*Net available	1180
(*iii*) as per first revised estimate of 1961 . .	2580	1180
(*iv*) as per the 2nd revised estimate of 1967-68 .	3135	1295
	Cost of work	
as per original estimate prepared in 1957 .	Rs. 2,22,60,000	
as per first revised estimate of 1961 .	Rs. 2,69,38,500 (net) Rs. 2,70,91,500 (gross)	
as per the 2nd revised estimate of 1967-68 .	Rs. 3,79,45,978 (net) Rs. 3,94,20,978(gross)	

*The relevant plan has been mis-laid.

4.8. The Committee desired to know the reasons for which the cost of the work doubled and the earthwork went up by 274 per cent. The Ministry in a note stated:

"The original plan prepared in 1957 for which an abstract estimate amounting to Rs. 2.23 crores was submitted by the Railway was prepared without a detailed survey in view of the urgency with which the work had to be started and additional facilities provided in time to deal with the increased traffic anticipated consequent on the expansion programme of the TISCO. TISCO had at that time indicated that their expansion programme will be completed by June, 1958."

"Subsequently in 1958, when a detailed survey was carried out it was found that the quantity of earthwork included in the original estimate (65 lakhs cft.) was very much on the low side and the quantity actually required was 101 lakhs cft. Subsequently in 1959, it was decided to regrade the yard to 1 in 400. This involved an additional quantity of 66 lakhs cft. The revised estimate sanctioned in 1961 at a cost of Rs. 2.71 crores included provision for the increased quantity of 167 lakhs cft. of earthwork and some minor changes in other items which were considered necessary.

"When the work as per the revised estimate was in progress. in 1961, the Railway Administration decided that the Marshalling yard should be converted into a hump yard, to enable it to deal with the large number of wagons which will have to be sorted out and marshalled in the yard. Besides the expansion of TISCO, the Tatanagar yard had to deal with the traffic from 8 other subsidiary industries which had also their own expansion programme. With the additional traffic generated by these industries, Tatanagar was expected to deal with a total number of 1200 wagons per day, excluding through trains. The original plan of 1957 or the revised plan of 1960-61 did not provide for a hump. It was also decided in 1961-62 to extend the lengths of all the lines in the main as well as marshalling yards to hold 70 vehicles, consequent on the electrification of the section and running of longer trains The original plan provided for 60 wagon lines only. The provision of a hump and the extension of the lines to 70 vehicles resulted in a further increase of 63 lakhs cft. in the earthwork. Later in 1964 it was decided by the Board to

mechanise the hump yard and provide retarders. This meant further raising of the hump and consequent regarding and extension of the lines to provide retarders and an additional quantity of earthwork of 28 lakh cft. was involved in this process. The total quantity of earthwork as included in the second revised estimate since submitted by the Railway thus comes to 167 + 53 + 28 lakhs cft.—248 lakhs cft.

"In order to deal with the additional traffic consequent on the expansion of the subsidiary industries, it was found essential to provide 5 additional sorting lines in the marshalling yard. Provision for this also has been included in the second revised estimate."

The work which was started in 1958 is still not completed and it is expected to be completed only by end of 1968. The remodelling of the Tatanagar yard is of an extremely complicated nature involving the regarding and extension of the existing lines without interfering with the day-to-day traffic. The work has, therefore, necessarily to be taken up in convenient stages to avoid interference with the traffic. Almost the entire yard is in a deep cutting. This involves further complications and difficulties in the execution of the job. The work had, therefore, to necessarily drag on for a considerably long period, nearly 10 years, during which period the cost of materials and labour had gone up appreciably. The second revised estimate submitted by the Railway recently amounts to Rs. 3.79 crores net. Considering the facts as explained above the increase in cost from 2.23 crores in 1958 to Rs. 3.79 crores in 1968 is not unreasonable. It may also be mentioned in this connection that Tatanagar yard as now remodelled will be adequate to deal with a maximum number of 2220 wagons and hence no further expansion of the yard would be necessary in the near future."

A statement showing requirements in terms of wagons for TISCO and other subsidiary industries from 1957-58 to 1967-68 and the actual traffic that was generated, received from the Ministry is at Appendix I. According to the statement the figures of the estimated requirements for

TISCO excluding subsidiary industries and the actual traffic from 1957-58 onwards are as follows:—

Year	Anticipated daily average requirement in terms of 4-wheeler wagons (inward and outward)	Actual daily average traffic generated in terms of 4-wheeler wagons (inward & outward)
1957-58	920	Not available
1958-59	1079	739
1959-60	1238	960
1960-61	1271	1040
1961-62	1271	1097
1962-63	1271	1167
1963-64	1271	1263
1964-65	1271	1195
1965-66	1271	1182
1966-67	1271	1151
1967-68	1271	1112

With regard to the traffic of other subsidiary Industries, the Ministry stated, "No forecast inward and outward traffic of the subsidiary industries for all the years from 1957-58 to 1967-68 was received. It was, however, anticipated that there would be an increase of 45 inward and 37 outward traffic during the 3rd Plan period due to the proposed expansion of some of the subsidiary industries, which has not yet materialised."

4.9. The Committee enquired as to when the traffic at Tatanagar and Adityapur yards would come upto the level of 2,220 wagons for which capacity had been developed in these yards. They were informed that the traffic at Tatanagar alone was expected to reach the level of handling 2,220 wagons daily by 1970-71.

4.10. The Committe note that the expansion scheme of Tata Iron and Steel Company, to which the development of these yards, was linked was taken up as part of the Second Five Year Plan from the Annual

reports of the Department of Steel; the Committee observe that this expansion scheme was largely completed during 1959-60. A rated production of 1.5 million tonnes of saleable steel which the company was seeking to achieve was reached in 1964-65. The latest annual report of the Department of Steel gives the following picture in regard to the production plans of this enterprise:

> "TISCO at present has a capacity of about 2 million ingot tonnes. In terms of saleable steel, TISCO are manufacturing about 1.5 million tonnes per year over a wide range of items like blooms, billets, bars, structurals, sheets, skelp, etc. To maintain this level of production, they are presently engaged in adding certain balancing facilities like mine development and ore benefication, self-fluxing sinter additional facilities for shops etc. They also contemplate additional coal production and proposals for this are under consideration."

4.11. The Committee cannot help feeling that the work on augmenting the facilities in Tatanagar and Adityapur has not been processed in a very businesslike manner. The work was undertaken, on considerations of urgency, without any survey, to deal with increased traffic expected out of the expansion of the Iron and Steel industry located at Jamshedpur. However, though the expansion of that industry got under way in 1964-65, the work on the remodelling of the yards is still in progress after ten years. Due to the fact that a survey was not conducted, the cost of the work underwent revision after surveys from Rs. 2.22 crores to Rs. 3.94 crores.

4.12. The Committee note that the scope of the work on these yards, as contemplated in the latest estimate for the work, provides for the Tatanagar yard handling about 3,135 wagons as against which the actual traffic that has materialised so far has been of the order of 1,100 to 1,200 wagons. As the expansion plans of the industry in this area, to which this scheme was mainly geared, were completed as far back as 1964-65, it calls for examination whether the scope of the work needs pruning.

Northeast Frontier Railway—avoidable remodelling of yards at Siliguri and Alipurduar

Audit Paragraph

4.13. The remodelling of Siliguri and Alipurduar yards was sanctioned in March, 1962, as part of the scheme for providing Centralised Traffic Control on Siliguri-Alipurduar-Chengsari section of the Northeast Frontier Railway. Although the two yards had just then been remodelled to

cope with increased traffic needs, it was considered necessary to remodel them further to cater to the traffic level of 700 wagons (M. G.) per day east of Siliguri expected to be reached on completion of the Centralised Traffic Control. The level of traffic handled before the actual commencement of the remodelling was 413.7 wagons per day, the peak having been reached in March, 1963 at a level of 543 wagons.

4.14. In September, 1963, it was decided to shift part of Centralised Traffic Control Scheme to the North Eastern Railway and confine it to Bongaigaon Chengsari section as, with the extension of B. G. line upto Bongaigaon and consequent diversion of traffic from Metre to Broad Gauge, the level of M. G. traffic was not expected to exceed 550|600 wagons per day. The Administration was instructed by the Railway Board even earlier, in June, 1963, to stop all further works connected with the C.T.C. as its transfer was under contemplation. Nevertheless, the remodelling of Alipurduar (commenced in May, 1963) and Siliguri (commenced in August, 1963), to deal with a level of 750 wagons per day, were proceeded with. Specific instructions of the Railway Board in August, 1964 to curtail the scope of the work to a level of 550|575 M. G. wagons per day had also been ignored and the remodelling of Alipurduar and Siliguri yards was completed in March, 1964 and August, 1965 respectively.

4.15. Against the initial provision (January, 1963) of Rs. 43.20 lakhs the actual expenditure was Rs. 84.45 lakhs (Rs. 43.96 lakhs for Siliguri and Rs. 40.49 lakhs for Alipurduar), for which the Railway Board had accorded post facto sanction in August, 1966, no sanction to any estimate for these works having been given by them earlier.

4.16. The actual traffic handled in these yards was far below 750 wagons (M .G.) per day and the number of wagons dealt with after the completion of the Broad Gauge line in May, 1965 never exceeded 500 wagons per day. On the other hand, the average detention to wagons at Siliguri Junction (for which statistics are available) increased from 17.4 hours in 1963-64 to 22.6 hours in 1965-66 and 22.0 hours in 1966-67.

4.17. Thus, the failure of the Administration to take into account the known impact of the new Broad Gauge line on Metre Gauge traffic and to stop the subsidiary works when the principal work had already been transferred resulted in avoidable capital expenditure of Rs. 84.45 lakhs of which safety works on electrical and electro-mechanical signalling accounted for Rs. 21.12 lakhs.

4.18. The Administration stated (February, 1968) that the real test of traffic in the strategically vulnerable points would be during periods of emergency and the facilities should, therefore, not be considered on the

liberal side. It may be mentioned that the number of wagons dealt with at Siliguri in September, 1965 was also less than 500 wagons per day.

[Paragraph No. 29—Audit Report (Railways), 1968].

4.19. The Committee were informed that the first remodelling of the Siliguri yard was taken up in 1957-58 and completed in September, 1961 at a cost of Rs. 16.88 lakhs. The facilities proposed in the yard were intended to deal with approximately 360 wagons per day east of Siliguri. The work of first remodelling of the other yard at Alipurduar was taken up in 1957-58 and completed in August, 1962 at a cost of Rs. 17.30 lakhs. The additional facilities proposed were intended to deal with a level of traffic of 360 wagons per day east of Siliguri.

4.20. The Committee pointed out that, though the first remodelling was, in the view of the Railways intended to accommodate a load of 360 wagons a day the actual traffic handled amounted to 413.7 wagon a day and the peak-traffic to 543 wagons a day. The Member (Engineering) stated that "This traffic was carried for some period with difficulty" and could not have been carried on all the time That was why the second remodelling of the yards became necessary.

4.21. Taking up the question of second remodelling the Committee enquired why, in spite of specific instructions given by the Board to the Railway Administration in June, 1963, the work was proceeded with. The Additional Member (Works) stated that the necessity for this remodelling was not in doubt. The Railway Board did consider remodelling to be necessary. They thought that the scope of the remodelling should be confined to handling a traffic of 550-575 metre gauge wagons per day. There was a scheme for introduction of centralised traffic control, but it was later decided that this scheme need not be carried out on the Siliguri-Alipurduar section The main reason for this was the extension of the Broad Gauge line upto Bongaigaon; as a result the centralised Traffic Scheme was restricted to Chengasari-Bongaigaon section. The Railway Board thought that, without Centralised Traffic Control, the line capacity beyond Siliguri would be limited and the yards need not be remodelled for handling more than 550-575 wagons. The Railway Administration on the other hand, thought that to utilise the CTC capacity created upto Bongaigaon, there will be "need to bring a minimum of 500 M. G. wagons to Bongaigaon *via* the Metre Gauge route east of Siliguri Junction." Another 200 wagons could be "safely estimated as the requirements of roadside stations of the Siliguri-Bongaigaon area." On this basis they considered an "estimate of 700 M. G. wagons per day east of Siliguri a very reasonable and modest assumption"

4.22. The Committee drew attention to the fact that the anticipated traffic had never been reached; on the other hand, the daily average of the number of wagons dealt with, after the second remodelling was 500 which was less than the peak traffic before this remodelling. The Member (Engineering) stated that, with the extension of the Broad Gauge line to Bongaigaon, the traffic did go down, but "it is again picking up." He explained further that before the broad gauge line was extended and the yard remodelled, traffic booking in Assam was restricted. "Now there is no such restriction" and the remodelling that had been carried out would come in handy. The witness further stated that the number of wagons handled in 1968 was higher than in the previous year and went upto 526. In reply to a question whether the peak capacity of 700 wagons per day which was planned for had ever been reached, he stated that "it had not been reached so far." To a further question whether it would ever be reached, the witness stated, "It may not be reached; perhaps it (the traffic) may go upto 600 or so on an average." In reply to a further question, the witness stated that the traffic "will go up, but I am not sure about the number."

4.23. The Committee enquired what benefit had accrued from the second remodelling. The Member (Engineering) stated that "the average speed of trains east of Siliguri increased from 12 Km. to 15 Km." The Committee pointed out that after remodelling the average detention of wagons at Siliguri had actually increased, as stated in the Audit paragraph. The witness explaining the position stated that the Railways were forming block loads to go to a zone east to Gauhati. These loads were formed in this yard with the result that detention increased.

4.24. The Committee enquired whether considering that the wagon traffic had failed to materialise and the period of detention had actually increased, it could be said that the expenditure of Rs. 44 lakhs on Siliguri yard remodelling and Rs. 41 lakhs on the remodelling of the other yard at Alipurduar was justified. The Chairman, Railway Board replied: "Looking at the case I feel that the General Manager could have erred on the side of caution and in view of the B. G. line coming he should not have proceeded with Alipurduar and Siliguri remodelling. Even if some commitments had been made, he should have stopped at the level at which he could have possibly stopped." The Committee enquired how much of expenditure was incurred by Railway Administration after issue of instructions for stopping work. The Ministry informed the Committee in a note that the expenditure incurred after issue of instructions by the Railway Board in August, 1964 was Rs. 16,57,662 at Siliguri yard and Rs. 15,20,409 at Alipurduar yard.

4.25. The Committee enquired why the work was commenced without detailed estimates. The witnesss stated: "At that time there were abnormal conditions obtaining in that area soon after the Chinese aggression in 1962. They found difficulty in moving the traffic in those conditions So, a decision was taken straightaway to submit an urgency certificate and go ahead with the work and make a detailed survey later." The Committee were also informed that preparation of a detailed estimate would have taken only about two to three months. In reply to a question the Ministry of Railways have furnished the following reasons for the difference between the original estimates of the cost of work and the revised estimates:

SILIGURI YARD:	
Original Cost	Rs. 16.99 lakhs
Revised Cost	Rs. 43.96 lakhs
Excess	Rs. 26.97 lakhs

"The reasons for the excess were mainly as follows:"

"(a) To deal with a additional metre gauge traffic alterations in the Marshalling yard was necessary. This had not been provided for in the original abstract cost. This resulted in an excess of Rs. 9.24 lakhs."

"(b) No provision had been made in the original estimate for Carriage and Wagon Deptt. and Repacking Shed with yard and platforms. These were found necessary after further review of the scope of the work and resulted in excess cost of Rs. 6.69 lakhs."

"(c) There was an excess in the cost of additions and alterations to passenger yard, metre gauge transhipment yard and parcel yard, amounting to Rs. 6.91 lakhs. These additions and alterations were found necessary during actual execution of the work. A part of the excess was due to higher tendered rates than originally anticipated and also due to provision of new permanent way instead of second hand."

"(d) It was found necessary to provide coloured light singalling and with this change in the scope of the work and cost of materials going up there was an excess of Rs. 4.03 lakhs under this head."

ALIPURDUAR	
Original cost	Rs. 26.21 lakhs
Revised cost	Rs. 40.85 lakhs
Excess	Rs. 14.64 lakhs

"The reasons for excess were mainly as follows:"

"(a) Due to additional quantity of earth work on account of resiting of the yard at Damanpur to avoid homestead areas—Rs. 1.97 lakhs."

"(b) Provision of additional permanent way points and crossings and new permanent way materials required consequent on shifting of the yard—Rs. 1.94 lakhs."

"(c) Provision of ballasting which had not been included in the original estimate—Rs. 3.48 lakhs."

"(d) Provision of additional permanent way at Alipurduar Yard due to additional facilities provided—Rs. 3.60 lakhs."

"(e) Additional cost of signalling—Rs. 0.94 lakh."

"(f) Miscellaneous items including electrical, machinery, tools and plants, establishment etc.—Rs. 2.70 lakhs."

4.26. During evidence, it was stated in this regard that "the position in regard to the various items of work in that area was such that nobody could estimate at what rate these works could be done."

4.27. The Committee consider it unfortunate that, in spite of specific instructions to the contrary issued by the Railway Board, the Northeast Frontier Railway proceeded with the work of remodelling of Siliguri and Alipurduar yards for a capacity of 700 wagons on the basis of their own assessment. The trends of traffic after completion of the remodelling have belied the anticipations of the Northeast Frontier Railway. Against a capacity of 700 wagons provided in these yards at a cost of Rs. 84.81 lakhs, the maximum traffic reached in 1968 was 526 wagons. It was also indicated during evidence that, though traffic will "go up", the peak traffic anticipated "may not be reached." As admitted by the Chairman, Railway Board, during evidence, the Northeast Frontier Railway "should have erred on the side of caution" and stopped work at the level it could have been stopped. Had that been done, the bulk of the expenditure of Rs. 31.78 lakhs incurred, after issue of the Board's instructions. could have been avoided. The Committee trust that the Railway Board will ensure that, in future work of such magnitude is executed after careful advance planning and the prior approval of the Railway Board who would no doubt weigh the operational gain/necessity of the work against the expenditure to be incurred.

Northeast Frontier Railway—Avoidable provision of facilities at crossing stations

Audit Paragraph

4.28. The construction of 258 Kms. of B. G. line upto Jogighopa was undertaken on priority basis in October, 1963 and was opened for goods traffic in May, 1965. It was decided in August, 1963 to provide crossing stations at every eight miles (12.8 Kms) upto New Bongaigaon. However, three crossing stations were provided beyond New Bongaigaon also, that is, between New Bongaigaon and Jogighopa (34 Kms.).

4.29. The three crossing stations were completed at a cost of Rs. 7.25 lakhs between September, 1964 and March, 1966. They were opened for traffic between April, 1966 and August, 1966 but were closed in November, 1966 as the traffic earnings were meagre.

4.30. The Administration stated (December, 1967) that the construction of B. G. line was undertaken on top priority basis to meet defence needs and a traffic survey was neither called for nor undertaken. It may be stated that the construction of the stations commenced in September, 1964 and there was adequate time to ascertain traffic prospects at these stations.

4.31. The facilities provided included station buildings, platforms, approach roads and quarters for the track maintenance and traffic staff. Excluding the station buildings and quarters for track maintenance staff, the cost of avoidable facilities came to about Rs. 4 lakhs.

(Paragraph No. 30, Audit Report (Railways), 1968).

4.32. The Committee pointed out that, though the construction of the Broad Gauge line was undertaken in October, 1963, the construction of the crossing stations and other anxiliary facilities was commenced only in September, 1964. They enquired whether this time interval did not provide adequate margin to conduct a traffic survey and whether, if such a survey had been carried out, it would not have helped to avoid the expenditure of Rs. 7.25 lakhs on the three crossing stations beyond New Bongaigaon, which were ultimately closed down. The witnesss stated that the work was "done in a hurry" and "proper thought was not given whether these were required to be done." He added that between Bongaigaon and Joghighopa, there was a proposal to establish an inland port for transhipment of goods into barges. Unfortunately, this port did not come up and the traffic in these three stations, therefore, "did not come up to expectations." The stations were closed down "almost immediately" after it was found that there were no traffic prospects. The witness pointed out that the entire work of constructing the line was

undertaken on strategic considerations "as a top priority work". "The decision of the Cabinet was that it should be finished in two years. It was a herculean task, because it was a very difficult terrain. Yet it was built in a record time and it was done in a hurry."

4.33. The Committee enquired whether because the work was done in a hurry, it was necessary to have incurred expenditure on stations, platforms etc. without a survey. They pointed out that the comment in the Audit paragraph was not about the line itself, but about the provision of these facilities which turned out to be needless. The witness replied: "I am not defending it at all. I plead guilty that it was done without proper traffic survey.....Since there was no traffic survey, we decided to have stations 6 or 7 miles apart. If we had carried out survey of the line and traffic, the location of the stations would have been different." In reply to a question whether the creation of these unnecessary facilities would not result in recurring maintenance expenditure, the witness stated: "That is true....."

4.34. While the Committee appreciate the fact that the construction of the line had to be undertaken in a hurry to meet strategic needs, they feel that it was not prudent on the part of the Railways to have undertaken the construction of crossing stations and the provision of auxiliary facilities without a prior traffic survey. The subsequent closure of the stations rendered the investment of Rs. 7.25 lakhs on that account entirely infructuous, besides saddling the Railways with the responsibility for recurring maintenance expenditure on the facilities created. The Committee trust that action will be taken by the Railways to avoid the recurrence of such costly lapses.

Western Railway—Remodelling of Station Yard at Jaipur

Audit Paragraph

4.35. Additional facilities for handling goods and parcel traffic were provided at Jaipur station at an approximate cost of Rs. 10.85 lakhs, as an all round rapid development of parcel and goods traffic was expected due to the increasing importance of Jaipur, being the capital of Rajasthan. It was anticipated that the parcel traffic would increase from 1400 maunds to 2800 maunds per day and goods traffic from 89 wagons to 164 wagons per day. The work was completed in February, 1963. The anticipated traffic did not, however, materialise and the traffic handled during 1965-66 was 895 maunds of parcels per day and 97 wagons of goods traffic per day showing a decrease in the parcels traffic and a marginal increase in goods traffic compared to the traffic handled prior to the undertaking of the work.

4.36. The parcel facilities included provision of 2 parcel sidings with platforms, each capable of holding 11 four wheeled parcel vans for inward and outward parcel traffic. The goods facilities included provision of a new covered goods shed with platform to deal with 50 wagons for inward goods traffic, a seperate covered goods platform, capable of dealing with 18 wagons per day, for uotward traffic, and a separate transhipment platform to deal with 16 wagons per day for transhipment purposes.

4.37. If the facilities had been created on a more realistic anticipation of the traffic needs, an expenditure of Rs. 3.25 lakhs could have been avoided.

[Paragraph No. 31—Audit Report (Railways), 1968].

4.38. The Committee enquired why additional goods traffic at Jaipur failed to materialise on the scale expected. The Ministry stated as follows:

"The goods traffic was anticipated to increase from 70 to 126 wagons of inward traffic and 11 to 22 wagons of outward traffic daily, or from a total of 81 wagons to 148 wagons of both inward and outward traffic. The figures of inward traffic included not only the wagons to be dealt with in the goods shed but also in departmental and private sidings.

Apart from this there are 3 stations in Jaipur area, namely Jaipur South, Jaipur West and Gandhinagar at distances of 2, 3 and 6 Kms. from Jaipur station, to which considerable amount of inward traffic has been diverted after 1957 as a result of closing Jaipur for booking of inward traffic in loose commodities from 7-6-1957 and closing the station for outward booking of similar commodities from 1-12-1962. The daily average inward & outward traffic dealt with at all the stations during the last four years was as under:—

	1964	1965	1966	1967
Jaipur station & Private sidings	86	90	79	80
Departmental sidings . .	1	1	1	1
Jaipur South . . .	28	33	30	29
Jaipur West . . .	21	20	14	10
Gandhinagar . . .	25	18	26	34
Total . .	161	162	150	154

Before the transfer of loose traffic from Jaipur goods shed to Jaipur South, the total volume of goods traffic dealt with at Jaipur South, Jaipur West and Gandhinagar used to be 4, 5 and 5 wagons per day respectively. Excluding this traffic i.e. 14 wagons from the total volume of traffic dealt with at all stations in Jaipur area during the last four years, it will be seen that traffic has materialised as anticipated earlier."

4.39. In reply to a question, the Committee were informed that the work of remodelling of Jaipur yard was commenced in July, 1957. Asked whether the facilities were curtailed in view of the diversion of inward traffic in June, 1957, the Ministry stated, "Consequent on diversion of inward loose traffic in June, 1957 from Jaipur, facilities were not curtailed. The new inward goods shed which was proposed to be provided after yard remodelling was planned to deal with 50 wagons of damageable and valuable goods and not loose traffic."

4.40. The Committee were informed that no additional facilities have been provided at Jaipur South and Jaipur West stations to which the traffic was diverted. At Gandhinagar station also, no additional facilities were provided until 1964.

"However, with the rapid development of Jaipur, the city expanded right up to Gandhinagar, which is 6 Kms. away from Jaipur, and the traffic dealt with at Gandhinagar increase. To handle this increasing traffic satisfactorily, the following facilities were provided in 1964.

(i) A goods lock-up 20'x20' and a parcel case.

(ii) A goods loop, with capacity for 20 wagons.

(iii) Goods platform with capacity for 10 wagons.

(iv) Motor loading ramp.

(v) Approach road.

The total cost of provision of the above facilities was Rs. 1,55,134/-. These facilities had, however, nothing to do with the diversion of traffic from Jaipur to this station."

4.41. The Committee asked why the parcel traffic declined sizeably. The Ministry stated:

"It is stated in the Audit para that the parcel traffic would increase from 1400 maunds to 2800 maunds per day and the traffic

handled during 1965-66 was 895 maunds of parcels per day. The figure of 1400 maunds per day mentioned in the justification for the work was the maximum traffic handled on any one day prior to remodelling. On the other hand, the figure of 895 maunds referred for the year 1965-66, however, represents the average for the whole year. The two figures namely, 1400 maunds and 895 maunds, are, therefore, not comparable.

Before remodelling, the average daily traffic handled was 350 maunds outward and 800 maunds inward or a total of 1150 maunds; no indication, however, is available whether this daily average was worked out over a sufficiently long period or was the average for a short period in the busy season. Compared to this figure the parcel traffic handled at Jaipur in 1965-66 has gone down.

Besides the setback in the agricultural and industrial growth due to Chinese and Pakistani aggressions, failure of monsoon in 1965-66 and sluggishness in the country's economy, the main reason for the drop in parcel traffic in the year subsequent to the remodelling was the rapid and intensive development of road services in this area."

4.42. The Committee enquired whether, before undertaking the work of remodelling, the fact of road development was taken into account, the Ministry stated:

"Before undertaking the work of remodelling the estimates of increase in parcel traffic were arrived at taking into consideration all relevant factors, including road transport. The growth of road transport underwent a very significant change after 1969, when the Central Government conveyed their decisions on the recommendations of the State Tarnsport Commissioners|Controllers made at their meeting held in Mussoorie in 1957. As a result, *inter alia*, permits for distances up to 300 miles were issued freely. No such radical change was anticipated at the planning stage or when the work started in March, 1956 and while the work was in progress. It may be mentioned that the remodelling was completed in 1959. The

latest available figures of permanent road permits for lorries in operation for Jaipur region of Rajasthan are given below:—

As on	Jaipur Region		Total
	No. of increase in Service		
	On Regional Permits	State-wise Permits	
31-12-1963	1046	361	1407
30-6-1964	1224	467	1691
31-12-1965	1406	736	2142
31-12-1966	..	..	2241
31-12-1967	1513	730	2243

Besides, Jaipur is served by lorries registered outside the Jaipur Region but holding permits for inter-State and inter-State operation. In keeping with the trend of rapid developments generally, their number must have also increased considerably."

4.43. The Committee are constrained to observe that the expenditure of Rs. 3.25 lakhs incurred on the provision of additional facilities for handling goods and parcel traffic at Jaipur station was largely avoidable. The facilities were meant to help the station to cope with an anticipated increase in goods traffic from 81 to 148 wagons, apart from an increase in parcel traffic that was also expected. However, the actual goods traffic that materialised at Jaipur station ranged from 79 to 90 wagons during the years 1964 to 1967. The Railway Board have pointed out that if goods traffic at adjoining station, i.e., Jaipur South, Jaipur West, Gandhinagar and a few private and departmental sidings are also taken into account, the increased traffic should be considered to have materialised. The Committee are unable to appreciate how increased traffic at these stations and sidings was related to the facilities provided at Jaipur station. As regards parcel traffic, the Committee note that it declined, instead of increasing, due to "the rapid and intensive development of road services in the area."

4.44. The Committee hope that, in the light of this experience, the Railway Board will ensure that planning for provision of facilities to cope

with anticipated increases in traffic, is done only after a realistic estimation of traffic growth. In the process of such estimation, it is vital that the impact of the sizeable growth in road communications is also taken into account.

Western Railway—Premature doubling of Maksi—Ujjain section

Audit Paragraph

4.45. In order to cope up with the additional traffic of 3 trains expected to be moved on the new Guna-Maksi Line, it was decided to double the Maksi-Ujjain section (40.4 Kms.) of Ratlam Division at an estimated cost of Rs. 2.2 crores. This section had a capacity of 18 trains before the doubling was undertaken against the actual traffic of 11.5 trains. It was expected that by the end of the Third Plan, with the completion of the Guna-Maksi line, 21 trains would be required to be moved on the section. The actual number of trains moved in the peak season of 1965-66 was, however, only 14.6 trains, that is, less than the capacity available before doubling.

4.46. The Guna-Maksi line, the construction of which commenced in April, 1962, had been slowed down in view of the general shortfall in traffic coupled with financial stringency and is now expected to be completed only by October, 1969, the overall physical progress by the end of February, 1967 being only 46 per cent. The doubling of Maksi-Ujjain section was, however, completed and opened for goods traffic from March, 1964 to October, 1965 by stages. Thus due to lack of synchronisation of the two connected works, additional capacity generated by the doubling of Maksi-Ujjain section at a cost of Rs. 2.2 crores remained unutilised.

4.47. The Administration stated (October, 1967) that the shortfall in traffic on this doubling was due to shortfall in coal production in the Central India Coal fields and Pench Chanda fields. Apparently the doubling work was proceeded with regardless of the progress towards targetted production in the above coal fields and the progress of Guna-Maksi line.

[Paragraph No. 32—Audit Report (Railways), 1968].

4.48. The Committee were informed by the Ministry of Railways that the doubling of Ujjain-Maksi section was undertaken in December, 1962 as "an essential supplement to the Guna-Maksi railway line". The original scheduled date of completion of this line was June, 1964, but it was actually opened for goods traffic in sections progressively between March, 1964 and October, 1965. The line was opened for passenger traffic in May, 1967. The charted capacity available in the line before doubling was 18 trains each way. After doubling the charted capacity increased

to 43 trains each way, giving an effective capacity for 35 trains. The number of trains that actually moved in the peak season of 1965-66 was 14.5 trains each way. After doubling the Ujjain-Maksi section was to carry traffic received via Bhopal and via the new Guna-Maksi railway line.

4.49. Explaining the considerations on which the construction of this line was undertaken, the Ministry of Railways stated in a note:

> "The coal production anticipated at the end of the Third Plan was 104 million tonnes. Accordingly it was estimated that 660 wagons of coal (457 wagons from Central India coalfields, 145 wagons from Pench and Chanda and 58 wagons from Bengal-Bihar) would move daily over Ujjain-Maksi section. In addition 110 wagons of general goods traffic was also expected on this section. For moving this volume of traffic and including passenger and departmental trains, the number of trains which would be required to be run on the Bhopal-Ujjain section was assessed as 18. With the completion of the Guna-Maksi line, another three trains were expected to join from Guna, making a total of 21 trains each way over the Maksi-Ujjain section. To enable 21 trains to be run each way effectively a potential capacity of 24 to 25 trains would be necessary.
>
> The existing charted capacity was 18 trains each way (effective capacity. 16.2 trains and actual utilisation 11.5. Since the length of the block sections ranged from 4.8 to 9.6 Km. it was not practicable to increase the line capacity by having new crossing stations. Introduction of improved methods of signalling and block operation such as tokenless block were expected to yield only a marginal increase in capacity. Hence in order to meet the main line traffic via Bhopal as well as the traffic via the new link, doubling of Maksi-Ujjain section was considered necessary."

4.50. As regards the Guna-Maksi line to which this scheme was supplemental, the Committee were informed that it was included in the Second Five Year Plan with the intention that it would provide an alternative route for the movement of the increased coal traffic from the Central Indian coalfields to the Western Railway and thus avoid doubling of Bina-Bhopal section and also develop a new area. As the line was expected to take four years to complete and was not ready for handling the increased traffic by the end of the Second Plan period, partial doubling of 69 Kms. on Bina-Bhopal section was sanctioned during 1957-58 for handling the traffic expected during the Second Plan. It was

considered that the facilities provided on the Bina-Bhopal section would not prove infructuous, as the section was working to saturation being part of the main Trunk route. Further, in regard to the coal traffic moving from the Central India Coalfields to the Western Railway one-way traffic would have to be moved on the Bina-Bhopal section even after the Guna-Maksi line had been constructed. With the establishment of Heavy Electrical Plant at Bhopal and other developments that had taken place in the Third Plan, the capacity on this main trunk route would be fully taxed and the facilities provided on the Bina-Bhopal section would become handy.

4.51. In reply to the Committee's query regarding the doubling of the Bina-Bhopal section, the Ministry informed that doubling of 146 Kms. long Bina-Bhopal section had been carried out in two stages i.e. (i) 69 Kms. doubling was programmed during 1957-58 and completed in January, 1961 (ii) 74 Kms. doubling was programmed in 1962-63 of which 62 Kms. had been completed by 31-3-1968 and the balance was to be ready by December, 1968. The charted line capacity available before doubling was 24.5 trains each way (effective 20 trains) which increased to 28 trains (effective 23 trains) each way on 31-3-1968 as a result of doubling. Actual utilisation was 20.4 trains in 1960-61 and 23.5 trains in 1967-68.

4.52. The Committee enquired why it was decided to complete the doubling of Ujjain-Maksi line without correlating it to the actual progress made on main Guna-Maksi line and the targetted production of General India coalfields, and Pench and Chanda Coalfieds. The Ministry in a note stated:

> "The doubling of Ujjain-Maksi section was undertaken on the basis of the estimated coal production of 104 million tonnes at the end of the Third Plan. This target was not revised downward till July, 1964, when the Study Group set up by the Ministry of Steel, Mines and Fuel concluded that the total coal production at the end of the Third Plan would not exceed 75.98 million tonnes. By that time, the doubling of two block sections had already been completed and the overall progress on the doubling as a whole was 67 per cent. All contracts for earth work, staff quarters and bridges had been accepted and the contracts executed. Commitments for sections not yet doubled had been entered into in full. It was thus no longer possible to postpone the work on the doubling. Moreover, even after the overall coal production estimate was revised, there was no drastic change in the anticipated pattern

of movement via Bhopal, to justify the doubling being given up, even if this were feasible."

4.53. The Committee were also informed that the latest traffic prospects of the Guna-Maksi line taken into account the capacity already created by doubling of Bina-Bhopal section and the need for diverting trains on the Guna-Maksi route was being assessed. These traffic prospects would be considered before a final decision was taken by the Railway Board regarding the completion of remaining works on the Guna-Maksi line and opening it for traffic.

4.54. The Committee regret to note that, due to lack of coordination, the doubling of the Maksi-Ujjain line was allowed to proceed, even after the work of doubling of the Guna-Maksi line to which it constituted "an essential supplement" had been stopped. The stoppage of the doubling work on the Guna-Maksi line was done apparently pending detailed assessment of its traffic prospects in the light of the doubling of the Bina-Bhopal line which had in the meanwhile taken place. It is, therefore, a matter for surprise that no effective action was taken to suspend the supplementary doubling of the Maksi-Ujjain line. As a result, after this portion of the work was completed at a cost of Rs. 2.2 crores, it was found that the peak traffic developed was only 14.5 trains which was even less than the capacity available before the doubling was undertaken. The Committee would like the Railway Board to investigate why there was a failure to stop further work on the line and initiate suitable action. The Railway Board should also evolve a procedure for ensuring that line capacity works are undertaken or proceeded with only after the most careful survey of traffic prospects in the light of such works undertaken in complementary sections.

South Eastern Railway—Delay in the utilisation of Kottavalasa—Bailadilla line

Audit Paragraph

4.55. (a) The construction of a new Railway line from Bailadilla mines to Kottavalasa (448 Kms. in length) was undertaken on an urgency certificate in 1960, to provide annual transport of 4 million tonnes of iron ore commencing from 1966 for export to Japan under Indo-Japanese agreement. An abstract estimate amounting to Rs. 55.32 crores was sanctioned in 1962 and the Railway line was targetted for completion and opening for goods traffic in January, 1966.

4.56. In November, 1964, it was anticipated that the iron ore mine at Bailadilla would be commissioned only after October, 1966 and the traffic at the rate of 4 million tonnes per annum would materialise only in October, 1967. The target date for opening for goods traffic was accordingly revised to October, 1966.

4.57. While the line had been completed in January, 1967 and is being used for departmental traffic, movement of ore traffic commenced in May, 1967 and, upto December, 1967, only about 2.4 lakh tonnes were moved.

(b) A contract for providing Standard III interlocked signalling for this line was awarded in September, 1965. The work was to be completed by March, 1968. Meanwhile, the Administration undertook the provision of non-interlocked signalling at 28 stations between April, 1966 and November, 1966 at an estimated cost of Rs. 3.92 lakhs (out of which materials valued at Rs. 1.68 lakhs only were reclaimable) though it was quite clear even as early as November, 1964, that the expected traffic of 4 million tonnes was not likely to materialise before October, 1967. On a reference made to the Railway Board in July, 1966 the later had directed the Administration in November, 1966 to expedite the completion of Standard III interlocked signalling as originally provided so that provision of non-interlocked signalling was avoided. The Administration had, however, already incurred an expenditure of Rs. 57 thousand in providing the interim arrangements at five stations, of which Rs. 22 thousand was stated to be recoverable with the introduction of full interlocking.

[Paragraph No. 33, Audit Report (Railways), 1968].

4.58. From a note given to the Committee, it is seen that against the target of 4 million tonnes of traffic that actually materialised was 0.21 million tonnes in 1967 and 0.67 million tonnes in 1968 (upto August, 1968). The Committee enquired when Railway expected the traffic to reach the target of 4 million tons. The Ministry stated, "The National Mineral Development Corporation have recently indicated that about 3 million tonnes of iron ore per annum is likely to be moved in 1969-70 and beyond 1970 the target is likely to reach 4 million tonnes per annum."

4.59. The Committee were further informed that "the quantity of ore expected to be transported by rail over this line during each of the next five years as indicated by the M. M. T. C., and the approximate expected earnings therefrom, are given below:—

Year	In million tonnes	Earnings @Rs. 30/- per tonne—in crores of Rs.
1969-70	4·4	13·20
1970-71	5·4	16·20
1971-72	5·4	16·20
1972-73	6·4	19·20
1973-74	9·1	27·30"

4.60. When asked to state the loss suffered by the Railways due to delay in the utilisation of the line, the Ministry stated:

"the iron ore traffic on this line commenced from May, 1967. During the financial year 1967-68, 4·68 lakh tonnes of iron ore and during the period from April/68 to August/68, 5.08 lakh tonnes were moved for export, against the capacity of 8 lakh tonnes per year on the basis of one heavy train a day and 16 lakh tonnes per year if two trains are run a day.

	One train a day	Two rains a day
Shortfall in movement during 1967-68 lakh tonnes	3·32	11·32
Earnings @ Rs. 30/- per tonnes—In lakhs of rupees	99·6	339·6
Adoping Operating ratio of 68·17% for 1967-68 loss in lakhs of rupees	31·60	108·09

This loss however is hypothetical and the figures only represent the shortfall in earnings, that have not accrued, due to the inability of the N. M. D. C. to offer adequate ore for transport by rail. It is understood that there was delay in commissioning the crushing plant initially due to the difficulties in transporting the machinery until after the rail link was completed and later for want of electric power which was available from March. 1968."

4.61. The Committee wanted to know to which countries ore moved on this line were being exported. The Department of Steel have in a note stated:

"The entire export of iron ore being moved along this railway line is through the port of Visakhapatnam and to Japan. The development of mining in the Bailadilla deposits (Madhya Pradesh), and the construction of this line, was taken up consequent to an agreement reached in 1960 between the Government of India and the Steel Mills of Japan whereby the latter agreed to take 4 million tons of Bailadilla ore per year for a period of 15 years in the first instance, with the prices to be settled from year to year. On the mining side, detailed prospecting was embarked upon in the Bailadilla area and, subsequently, in consultation with the buyer deposit No. 14 in that area was chosen to be first developed by the National Mineral Development Corporation for this purpose.

The mining project that was sanctioned involved, apart from opening up of mining benches for mechanical mining, the construction of a fully mechanised ore crushing plant on the hill top at deposit No. 14. Further, from the bottom of that ore crushing plant, a long conveyor system had to be laid, substantial part of which passes through a tunnel, to the lower slopes overlooking the valley below where the conveyor system reaches the crushed ore to the ore screening plant. From the screening plant, the ore is carried by further systems of conveyors to separate stockpiles for lumpy ore and for lines at the terminal point of the railway line, at Kirindul station. Mechanical loading facility has had to be installed at that loading station to put the ore into the railway wagons.

Such complete and somewhat complex mechanised operations had to be adopted in view of the fact that the rated capacity of the particular mine, when it reaches full production, is to be 4 million tonnes of lumpy ore apart from about a million tonnes of iron ore fines. It is the largest single mine of this kind not only in India, but, as far as is known, on mainland Asia as well.

Initial production, by way of trying some parts of the mine/plant, was commenced by the N.M.D.C. in the middle of 1967 and during 1967-68, 450,000 wet tonnes were moved over this line from the mine to Visakhapatnam port. Out of that, allowing for necessary build up of stockpile at port, 360,000 wet long tons were shipped to Japan during that year.

For the current year 1968-69, contract has been made with the Steel Mills of Japan for the shipment of 1·55 million dry long tons of ore with a further option, if the buyer so exercises it by 31-12-69, for an additional 0·25 million dry long tons. (Export contracts are in terms of dry long tons; allowing for moisture, the aforesaid figures correspond to about 1·656 million wet tonnes and 0·267 million wet tonnes respectively). In the first six months of the current year, already 0·733 million wet tonnes have been moved over this line to the port and shipments have totaliled 0.716 million wet long tons (equivalent to 0·727 million wet tonnes). In addition to the output from the completely mechanised mine that has now gone into production, some supplementary supplies are also being made from manual mining on the "float" ore deposits lying on the side of the hills and nearer the valley level.

With the mechanised mine now picking up momentum, according to present indications the shipments of Bailadilla ore likely during the coming year (1969-70) should total 3.5 million dry long tons and, along with the supplementary float ore referred to above, might exceed 4 million dry long tons during the next

year (1970-71). These figures, like the present movement, relate to the lumpy ore supplies only; in addition, after some time, export sales of fines are also contemplated; the buyers are also examining that possibility already.

Recently, decision has also been taken to develop a second mine of equal capacity, on deposit No. 5, in the Bailadilla area for purposes of export to Japan. Its output would, in part, be in replacement for the ports of 2 million tons of Kiriburu ore that have been continuing through the same port of Visakhapatnam since 1966; as the ore of the Kiriburu mine (on the Bihar/Orissa border) is destined to be diverted ultimately in 1970-71 to meet the requirements of the Bokaro Steel Plant under construction, in replacement thereof the Japanese buyers have already agreed to increase their commitment to purchase Bailadilla ore from 4 to 6 million tons per year. Keeping in view the production of both these mines in Bailadilla (including fines) when they go into full production, discussions have also been commenced with the buyer to increase their purchases ultimately to 10 million tons per year. According to present indications, that full level might be attained in stages by 1974-75."

4.62. In reply to question whether the prospects of exporting the ore would be affected by developments in Australia and if so, to what extent, it has been stated:

"The emergence in a big way of Australia as an exporter of iron ore does pose a serious challenge not only to India but all other iron ore exporting countries. Steps are being taken at our end to compete with that country on an equal footing. The quality of Bailadilla ore, both in iron content and physical chracteristics, is such as should enable it to compete effectively with Australian ores. The reserves available in the Bailadilla area are also adequate and the Japanese Steel Mills have already expressed their willingness to accept additional quantities from the Baiadilla area. Considering the large export potential of the Bailadilla deposits and the continued interest in Bailadilla ore maintained by the Japanese Steel Mills, it is proposed to develop a new ore loading facility outside the present port of Visakhapatnam, the feasibility of which has recently been established and has also been accepted by the Japanese. The Outer Harbour at Visakhapatnam, when developed, will in initially be capable of receiving ore carriers of 1,00,000 DWT but could later be able to accommodate even larger vessels."

4.63. The Committee enquired whether before undertaking the work of interim signalling arrangement in April, 1966, the Administration

specifically checked with the National Mineral Development Corporation the quantum of iron ore traffic required to be handled before interlocked signalling was in position. The Committee were informed that the quantum of iron ore traffic required to be moved from October, 1966 was ascertained from the National Mineral Development Corporation, before undertaking the work of providing non-interlocked signalling arrangements, at the Co-ordination meeting held among officers of D.B.K. Railway Project, N.M.D.C., and South Eastern Railway on 21st April, 1966. At this meeting, the General Manager, N.M.D.C., stated that he would be in a position to load at the rate of 1,000 tons of float ore a day from October, 1966, which could be increased to 2,000 tons a day by about January, 1967. (A copy of the minutes of the meeting is at Appendix II).

4.64. In a note to the Committee, the Ministry informed, "As Standard III interlocking at all the stations was not expected to be completed by March, 1967, it was anticipated that non-interlocked signalling might be required at 28 stations at an estimated expenditure of Rs. 2,24,000/- in addition to the provisions in the estimate. As this constituted a material modification in terms of para 1010(f)E, it required Board's approval. The Board were accordingly approached for sanction to this work in July, 1966. The Board, had directed that Standard III signalling should be expedited, so that provision of non-interlocked working as a phase work is avoided, as far as possible, when the line is opened for traffic. However, in anticipation of Board's sanction for the whole work, non-interlocked signalling was provided at 5 stations involving an expenditure of Rs. 40,000/- only.

4.65. In order to avoid such recurrences, works, which may have to be brought into use in stages, will be so planned that, as much of the stage work as possible, will be utilised to form part of the final work, and sufficient provision for the stage works will be made in the project estimates."

4.66. The Committee note that the Kottavalasa-Bailadilla line constructed specifically for movement of ore meant for export carried a traffic of 0.21 million tonnes in 1967 and 0.67 million tonnes in 1968 (upto 20th August, 1968), against the targeted annual traffic of 4 million tonnes. The consequent loss of earnings in 1967-68 has been estimated by the Railways at Rs. 108.09 lakhs. The Committee observe that the traffic failed to materialise due to the delay in the development of the mines and that from 1969-70 onwards, traffic of 4 million tonnes or more is expected to be moved on this line. The Committee would like to watch the position in this respect.

4.67. One point incidentally arising out of the information made available to the Committee needs emphasising. The Committee notice that

Australia has emerged "in a big way" as an exporter of iron ore posing "a serious challenge" to Indian iron ore exports to Japan which are moved on this line. Government are apparently confident that this challenge would be met and that it would be possible to compete with that country on an equal footing. The situation that has developed underscores, however, the necessity for a close and continuous watch on the quality of our export offering and its price.

Eastern, Southern, North Eastern and South Eastern Railways—Non-utilisation of tropenaz convertors.

Audit Paragraph

4.68. In may, 1957, the Ministry of Railways (Railway Board) decided to make suitable tropenaz steel ingots from scrap in the steel foundry at Ajmer and have them rerolled in the rerolling mill at Jamalpur. Accordingly, the Jamalpur Workshops obtained 136 tons of ingots from Ajmer Workshops between September, 1957 and March, 1959. On rerolling, the round ingots showed transverse cracks which were attributed to high sulphur and phosphorus contents. It was held that tropenaz (Bessemer) steel was not suitable for loco components or nuts and rivets but can be used for rerolling tie bar flats.

4.69. The Railway Board, however, directed all the Railways in July, 1961, to provide, in one of their workshops, a combination of melting furnace and a rolling mill in order to utilize steel scrap arisings on the Railways to the maximum extent possible and to give experience to Railway engineer in steel conversion. In pursuance of this directive steps were taken by some Railways to set up tropena convertors in their workshops but these melting units remained unutilised because of unsatisfactory working of the plants.

Eastern Railway

4.70. The convertor installed in Jamalpur workshop towards the end of 1960 at an expenditure of Rs. 78 thousand went into regular operation from May, 1962, and produced 399 tons of castings till March, 1965. From the very beginning the castings were of sub-standard quality owing to high sulphur and phosphorus contents. The working of this plant was stopped from April, 1965.

Southern Railway

4.71. A 2 ton convertor and cupola was fabricated and erected in Perambur workshop at a cost of Rs. 2.62 lakhs. Though the blower was installed in July, 1966 the correct quality of steel could not be obtained

until July, 1967. The convertor has not been put to use on production basis so far (February, 1968).

North Eastern Railway

4.72. A 2 ton convertor and cupola was fabricated and erected in Izatnagar workshop in July, 1966 at an estimated cost of Rs. 35 thousand. Regular production was started from 24th September, 1966 but the percentage loss of metal was high due to heavy rejections and bad castings.

South Eastern Railway

4.73. A 2 ton convertor and auxiliaries were transferred from Chittaranjan Locomotive Works and erected in Kharagapur workshop in May, 1965 at a total expenditure of Rs. 25 thousand. The tropenaz convertor was run intermittently on an experimental basis for a couple of months but since it was not possible to restrict the sulphur and phosphorus contents it was not considered advisable to continue production of substandard castings. The tropenaz convertor is at present lying idle in the workshop.

4.74. If a proper evaluation of the results of providing the units at Ajmer and Jamalpur had been done before deciding on the extension of the scheme to the other Railways, the expenditure of Rs. 3.22 lakhs incurred on Southern, North Eastern, and South Eastern Railways could have been avoided.

[Paragraph No. 34, Audit Report (Railways), 1968].

4.75. The Committee were informed that out of four convertors installed in the various Railways, the convertors at Jamalpur and Kharagapur were not being utilised. The convertors at Izatnagar and Perambur were being utilised for manufacture of small quantities of steel castings. The combined rated capacity of these convertors was 1360 tons of steel castings per annum. The actual output from these convertors was 82 tons of steel castings from September, 1966 to August, 1968 from Izatnagar convertor and 13.88 tons of steel castings from July 1967 to September, 1968 from Perambur convertor.

4.76. In reply to a question whether the earlier experience in the Jamalpur workshop was kept in view when directions were issued to all Railways in July, 1961, for the installation of the convertors, the Ministry of Railways have stated, "With a view to ascertaining the suitability of steel ingots produced in Tropenaz Convertor for rolling into smaller sections, a trial was carried out in 1957 in Jamalpur Workshops. The ingots were supplied by Ajmer workshops and these were subsequently

rolled in Jamalpur workshops the experiment indicated that ingots of about 4" square or of smaller sizes could be successfully rolled into smaller sections and that tie bars, cotters and keys required by the Civil Engineering Department for the permanent way could be made from ingots of these sizes. In order to meet the requirements of these fittings and also keeping in view the other needs (explained subsequently), a directive was issued to the Railways to set up a combination of melting unit and rolling mill at one major workshop of each Railway. It will thus be seen that the experiment at Jamalpur workshops was kept in view while issuing the directive in July, 1961."

4.77. Asked why the orders for installation of convertors on the various railways were not issued after full trials initially in one or two workshops, it was stated, "the decision to set up facilities for melting/rolling of steel and manufacture of steel castings at one major workshop of each Railway was, the direct consequence of the shortage of melting/rolling capacity in the country and the poor availability of steel castings from the trade."

4.78. The Committee enquired why this experiment did not prove successful. The reply received from the Ministry of Railways on this point is reproduced below:

"Between the time when the instruction for setting up of melting units were issued (1961) and now there has been considerable expansion in the capacity of steel foundries in the country. In 1961 the licensed capacity of 17 private sector foundries was only 62,260 tonnes. During the Third Plan, additional capacity was licensed to the existing established foundries and with the licences given to 22 new foundries, the licensed capacity of the 39 foundries became 2,02,060 tonnes. In addition to these 39 foundries, which have taken effective steps to establish production, 42 other foundries were licensed during the Third Plan. The total licensed capacity of these 42 foundries is 1,80,000 tonnes.

In addition to the expansion of the private foundries mentioned above, there has also been expansion of existing foundries and establishment of new steel foundries in the public sector.

As a result of the tremendous increase in foundry capacity in the country, including the setting up of new steel foundries at Chittaranjan Locomotive Works and Jamalpur Workshops having an annual capacity of 10,000 and 2,000 tons respectively, the need for intensive utilisation of the existing Tropenaz Convertors no longer exists. Moreover, the cost of steel castings from the trade has recorded a downward trend and the

conditions which prevailed when the convertors were first installed no longer existed afterwards. Considering all these factors, continued use of all the convertors was not economically or technically justified.

Keeping in view the changes that have taken place in the country during the last 5/6 years, it may be possible to utilise the 2 Convertors at Ajmer and Izatnagar only for meeting the demand for non-standard castings and small quantities of other castings which are either not readily available or cannot be procured economically from trade."

4.79. The Committee cannot help feeling that the expenditure of Rs. 3.22 lakhs incurred by the Railways on the provision of these convertors was avoidable. Two out of four convertors have been closed down and the total production from the other two convertors amounted to 96 tons against their capacity of 1,360 tons. The Ministry of Railways have stated that the need for intensive utilisation of these convertors "no longer exists" in view of the considerable expansion in the capacity of steel foundries in the country during the Third Plan. These convertors were also set up during the same period and it is not clear why, before embarking on the project, the Ministry of Railways failed to take note of Government's plans to licence additional capacity in the existing foundry units and also to set up new units, some of which fell within the Railways' own jurisdiction.

North Eastern Railway—Non-installation and under-utilisation of cranes

Audit Paragraph

480. (a) A crane costing Rs. 54 thousand procured for the Gorakhpur Stores Depot in July, 1967 is yet to be commissioned (December, 1967).

(b) In order to handle heavy lifts offered for transhipment at Garhara, two road mobile diesel cranes were purchased at a cost of Rs. 3.85 lakhs in October, 1964. Though the parts were assembled by January, 1965 the cranes could not be commissioned. It was decided in May, 1965 to operate the cranes limiting the load to the lifted to 50 per cent of the capacity of each crane (10 tons). One of the cranes was accordingly commissioned but capsized while lifting a bundle of iron rods weighing about 3 tons as it had been operated incorrectly and the ground was unsuitable.

4.81. The other crane was commissioned in September, 1965 and was being operated with 50 per cent of its capacity. After about 8 months'

working, its hoist motor got damaged in May, 1966 but was again brought into use by utilising the motor of the other crane. Even with the restricted capacity, the crane was operated in a stationary position and was shut down on a number of occasions.

(c) While examining the mechanisation of handling facilities at transhipment points the Ministry of Railways (Railway Board) decided to procure a crane similar to Taylor Jumbo Speed Crane for trial purposes with a view to ascertaining its efficiency in the transhipment work and directed the North Eastern Railway in April, 1963 to procure one such crane urgently for use in the Garhara transhipment yard. The Railway Administration purchased an imported crane costing Rs. 1.08 lakhs from an indigenous firm on single tender basis. The crane was received at Garhara in October, 1965 but was brought to Gorakhpur in November, 1965 for use in the goods shed at Gorakhpur. However, as the crane was fast moving it was considered dangerous to use it in the goods sheds and was, therefore, transferred to Gorakhpur Workshop in November, 1966 where it is now working for about six hours a week on an average.

[Paragraph No. 36; Audit Report (Railways), 1968].

4.82. The Committee enquired why it took over ten years for the crane as Gorakhpur Stores Depot to be installed. They were informed: From June, 1958 to end of 1960, the area in which this crane was to be installed in the Gorakhpur Stores Depot was congested with large accumulations of heavy ferrous scrap. This type of crane needs a special Railway track for operation. Before the Railway track could be laid, the area had to be cleared of the scrap by moving it to a new scrap depot under construction at Pipraich a few miles away. This scrap depot could be completed towards the end of 1960 by which date the estimate of Rs. 2.11 lacs for the whole work was also sanctioned."

"From April, 1961 to April, 1962, the Railway Board who had to arrange for enhancement of handling capacity at Calcutta port on Railway account at short notice to accommodate a manifold increase during 1961-62 in the volume of imported materials required mainly to develop the wagon building capacity in the country, issued instructions for transfer of this crane to Eastern Railway to help in stacking the material in the Paharpur Dump inside the Calcutta Port Trust area. Because of bunched receipt of ship loads amounting to more than 6,000 tonnes a month on the average during the months September to December, 1961 against a normal level of about 1000 to 2000 tonnes a month, the stacking at Paharpur had to be handled with the existing resources and stacks of 12 to 15 feet had been built up. This crane with a headroom of only 12 feet was, therefore, found unsuitable on further investigation and advice

was sent accordingly in April, 1962 by Eastern Railway to the North-Eastern Railway."

"From July, 1962 to April, 1963, owing to the development of another depot in late 1962 to feed the newly set up bridge workshop at Gorakhpur Cantt. and after considering the relative needs, a decision was taken in April, 1963 to instal the crane in an alternative site in the bridge depot at Gorakhpur Cantt."

"From April, 1963 to February, 1965, the revised estimates were worked out, work taken in hand and completed."

"From February, 1965 to October, 1967, on testing, however, some of the electrical equipment needed overhauling and certain relays needed replacement which were procured, installed and after satisfactory testing and completion of final adjustments by the Electrical, Mechanical and Civil Engineering Departments, the crane was commissioned on 28-10-67."

"While the factual history has been briefly indicated above, the basic cause of the delay has been a procedural lacuna explained below:

Capital works are programmed either through the annual

(i) Machinery and Plant Programme;

(ii) Rolling Stock Programme; or

(iii) Works Programme.

(i) above normally covers items like machine tools;

(ii) covers the requirement of all types of rolling stock; and

(iii) all other schemes. The cost of this particular project ultimately came to over Rs. 2 lakhs out of which about Rs. 0.5 lakh was accounted for by the crane and the rest by civil and electrical engineering works. The all-inclusive cost should have been estimated even at the stage of inclusion in the Machinery and Plant Programme or alternatively the project should have been included in the Works Programme."

"Suitable instructions on this subject are being issued to avoid a recurrence."

1.83. Pointing out that the crane was shifted from place to place, the Committee asked whether its purchase was based on known and definite requirements of any Depot. The Ministry of Railways have stated in a note: "The crane was originally intended to be utilised for Izatnagar Workshop against a sanction in the M & P Programme and the order for the purchase was placed in November, 1954. In the meantime it was

decided that the crane may be utilised against another sanction actually accorded in 1955-56 M & P Programme for a similar crane for Gorakhpur Store Depot. The crane was required to handle heavy items of stores such as wheelsets, axles, tyres, boilers, plates and other bearing sections of steel in the Depot.

The crane, however, could not be installed immediately after its effective date of supply i.e. 27-6-58 for want of suitable accommodation inside the Stores Depot at Gorakhpur, as the scrap yard area inside the Depot, where the crane was to be installed was having large accumulation of various scraps (which ultimately had to be shifted to the proposed new scrap yard at Pipraich)."

The construction of Pipraich Scrap yard scheduled for completion in 1958 was delayed upto 1960. During the time the construction of the Pipraich yard had been completed and the work for the clearance of the scrap yard at Gorakhpur Stores Depot was taken in hand, alternative uses were explored and the North-Eastern Railway was advised in April, 1961 to transfer the crane to Eastern Railway. Towards the end of April, 1962, the C.O.S. Eastern Railway, however, intimated North Eastern Railway that this crane was not suitable for use on his Railway. Thereupon North-Eastern Railway initiated steps for installing the crane."

"By this time the bridge Workshop at Gorakhpur Cantt. had expanded and it was felt necessary to have a heavy crane at that place to handle heavy consignments. The relative merits of setting up the crane at each of the two locations—Gorakhpur Stores Depot as originally planned and Bridge Workshop at Gorakhpur Cantt.—was reviewed in detail. It was found that whereas Gorakhpur Depot could handle atleast some of the heavy consignments by using the 2 ton steam crane which was available, the Gorakhpur Cantt. Depot being situated far away from the traffic yard could not utilise the crane available in the yard and accordingly the need for a crane for the Cantt. Depot was considered more essential. In September, 1962, it was decided to instal the crane at Bridge Engineering Stores Depot at Gorakhpur Cantt. in preference to Gorakhpur Stores Depot in view of the earlier utilisation of the crane and the need there being greater."

4.84. Taking up the question of the performance of the two heavy duty mobile cranes installed at Garhara, the Committee asked what their capacity was and how the performance compared with the capacity. The Ministry of Railways have stated that "the crane is rated in terms of the maximum tonnage that it can lift at a time and this is 10 tons for

each of the cranes." As regards their performance, the following position has been indicated:

"*Crane No.* 21122: From 26-7-1967 the date from which the crane has been continuously working upto 1-7-1968, it transhipped 1,445 wagons. This works out to an average of 4.2 wagons per day.

Crane No. 21123: During the period from 6-9-1965 to 11-6-1967 when it was working, the crane transhipped 3,260 wagons i.e. 5.2 wagons per day."

The crane No. 21122 capsized on 21-5-1965 on the very day of its commissioning and got damaged. The firm was asked to supply the broken parts but the quotations were received piecemeal and very late. As a result a number of purchase orders had to be placed on the firm and the crane was repaired and recommissioned on 26-7-1967. The crane has been continuously working since 26-7-1967."

"Crane No. 21123 was working from 6-9-1965 (the date of its commissioning) till 2-5-1966 continuously. On 2-5-1966, its hoist motor was damaged. The motor of the other crane No. 21122 was utilised from 4-5-1966 and it was working upto 11-6-1967 when it was sent for P.O.H. The crane is still under P.O.H. as some of the spare parts required are still to be supplied by the firm."

4.85. The Committee enquired whether there were any manufacturing defects in the cranes. They were informed:

"So far as the manufacture of the two cranes (Nos. 21122 and 21123) is concerned, there are no defects. The cranes were tested with full loads on 10-2-1965 and 11-2-1965 and at that time worked satisfactorily except for certain minor defects and deficiencies. The defects were rectified and deficient parts were despatched by the firm by the end of March, 1965. These were installed and one of the cranes No. 21122 was commissioned on 21st May, 1965."

"This crane, however, capsized and got damaged on the same day owing to incorrect operation and sinkage of ground. The replacement for the damaged parts were supplied by the firm piecemeal over a period of nearly two years and the crane was recommissioned on 26-7-1967."

"In view of the experience with the first crane, the ground was consolidated before the other crane (No. 21123) was commissioned on 5-9-1965. It worked satisfactorily till 2-5-1966 when its hoist motor

became defective as the insulation of the commutator cone got impaired resulting in a flash-over due to contamination with oil and dirt. The crane was recommissioned on 4-5-1966 using the motor of crane No. 21122."

"The damages referred to above cannot be attributed to any manufacturing defect and as such the question of claiming compensation from the supplier in terms of the warrantly does not arise."

"Because of the condition of the ground on which these cranes operate, the cranes have been working to half their capacity from a stationary position. Crane No. 21122 has been working from 26-7-1967. During the period from 26-7-1967 to 1-7-1968, it had transhipped 1445 wagons, i.e., 4.2 wagons per day on an average. The other crane No. 21123 had transhipped 3260 wagons from 6-9-1965 to 11-6-1967, which on an average, account for 5.2 wagons per day. With these cranes, it has been possible to handle the traffic offered."

4.86. The Committee pointed out that the third crane for Gorhara was purchased without inviting tenders and had been very sparingly used. The Department have stated in a note:

"In the context of mechanisation of handling facilities at transhipment points on the Railways it was decided to procure this crane for trial purposes to find out its efficiency in transhipment work. As it was purely a trial order, the question of inviting competitive tenders etc., did not arise and the purchase was effected on single tender basis."

"The operation of this type of crane was examined; it was ascertained that such cranes were in extensive use on British Railways and had certain advantages for using them at transhipment points."

"The requirement of mobile road cranes for the Third Five Year Plan was assessed at 18 Nos. In 1961-62, it was decided to procure 1 crane of this type (out of the 18 assessed) and it was decided to work it at Garhara transhipment yard as the handling facilities available there were inadequate to cope with the traffic then offering and, further, an appreciable increase in heavy lift traffic to the extent of 70 to 80 B.G. wagons per day was expected during the Third Plan."

"As the anticipated increase in traffic did not materialise, and the traffic offering at the time of receipt of crane at Garhara (October, 1965) could be handled by the two road mobile cranes and one Goliath crane already provided there, the subject crane has not been used at Garhara so far."

4.87. The Committee feel constrained to observe that all the four cranes were purchased by the Railways in this case without drawing up a proper programme for their installation and the execution of works connected therewith. The crane purchased for the Gorakhpur Stores Depot in 1958 was moved from place to place from 1958 to 1962, without being put to any use. In 1963, the site for its installation was chosen, and it took over four years thereafter for all the attendant work to be completed.

4.88. Two other mobile cranes purchased for Garhara yard in October, 1964 worked "to half their capacity from a stationary position" because of "the condition of the ground from which they operated." A third crane purchased for this yard in April, 1967 as part of scheme for mechanisation of handling facilities in the yard has not been used as the traffic offering could be handled by the two mobile cranes and one Goliath crane already provided.

4.89. The Committee do not feel happy that after expending over Rs. 5 lakhs on the purchase of these cranes, little attention was given to the question how effectively and quickly they could be put to use. The Committee trust that suitable action will be taken by the Railways to ensure that expensive items of machinery are purchased by the Railways only after proper assessment of requirements and that they are put to effective use without delay.

Loss due to delay in the installation and Commissioning of weigh bridges

Audit Paragraph

4.90. The non-utilisation of a weigh bridge purchased in 1956 for over five years on the Western Railway was commented upon in Para 22 of the Audit Report, Railways, 1964. The Public Accounts Committee in their 32nd Report (Third Lok Sabha) desired that the Ministry of Railways should take suitable steps to ensure that such abnormal delays in the utilisation of costly plant and machinery be avoided.

4.91. A review of the utilisation of weigh bridges revealed that 25 weigh bridges and one loco balancing machine purchased between March, 1956 and September, 1966 on seven zonal Railways at a total cost of Rs. 16 lakhs are lying idle (February, 1968).

4.92. Of these, 15 weigh bridges have not yet been installed for various reasons such as delay in erecting foundation by the Engineering Department, transfer of the weigh bridge from one station to another due to change in location, certain parts being found missing or damaged, delay in getting replacement of the missing and damaged parts and the refusal of the suppliers to supervise installation before settlement of certain disputes.

4.93. Of the weighbridges not yet installed, 8 weighbridges were purchased prior to January, 1962 on the North Eastern and North-east Frontier Railways at a cost of Rs. 4·40 lakhs. (The location of one of the weighbridges on the North Eastern Railway is stated to be still under consideration).

4.94. The remaining eight weighbridges and one loco balancing machine, which were installed after delays ranging from 2 to 4 years are lying unutilised for reasons such as inundation by sub-soil water, defective working, absence of components and non-inspection.

4.95. The non-utilisation of these machines resulted in avoidable payment of dividend to General Revenues amounting to Rs. 2·50 lakhs upto 1966-67 on the cost of the assets without deriving any fruit from the investment.

4.96. Besides, the non-utilisation of weighbridges results in booking the wagons without weighment and entails loss of revenue due to under-invoicing as wagons may escape weighment *en route* also.

4.97. On the Northeast Frontier Railway, due to delay in the utilisation of weighbridge at one of the stations, the wagons were being hauled to another station over an extra distance of six Kms. before the same were despatched to destination. The avoidable expenditure on this haulage was Rs. 2.03 lakhs from April, 1962 to June, 1967.

[Paragraph No. 38, Audit Report (Railways), 1968].

4.98. The Committee were informed that out of 28 weighbridges mentioned in the Audit paragraph, 11 had been commissioned on various dates between February, 1968 and August, 1968, five had been installed, but not yet commissioned for want of certain parts or pending completion of certain minor jobs, six were still to be installed and one weighbridge which went out of order after working for over 18 months was in the process of being repaired.

4.99. The Committee enquired whether the Ministry of Railways had investigated the reasons for the non-installation and the non-utilisation of these weighbridges. The representative of the Railway Board stated that an investigation had been conducted. The investigation had disclosed that the following were, "broadly speaking", the reasons for non-utilisation of the weighbridges:

(i) "Delays in laying the foundations for the weighbridges;"

(ii) Lack of planning as to the siding where the weighbridges were to be installed:

(iii) Change in location from one station to another;

(iv) "Missing of parts" of weighbridges and time taken to get replacements.

The witness added: "All these are cases of negligence and neglect and there is no defence for any of these cases."

4.100. The witness further stated: "We are aware of the fact that this position was taken up by Audit previously also. In April, 1965 we had issued instructions to all the Railways pointing out that these serious delays in the installation and commissioning of weighbridges were taking place and cautioning them to avoid these in future. The latest review made has revealed that since then there is no improvement in the position and we are now pursuing the question of fixing responsibility for each of these weighbridges whose installation has been delayed. It is very complicated process. There are so many departments involved—the civil engineering department, the mechanical engineering department and the store departments."

4.101. When it was pointed out by the Committee that the weighbridges were commissioned only after the matter was brought to the notice of the Railways by the Audit, the witness stated, "Originally it was brought to our notice and we gave instructions to the individual Railways pointing out the delays which were taking place. We expected the Railways to react because it is day to day work and this is not a matter which is watched from day to day at the Ministry's level. Now, when it was pointed out to us, we started pursuing it and it is we who have been following it up and seeing that the delays do not take place."

4.102. The Committee enquired why the administration had not taken steps to install a weighbridge at Borgolai on Northeast Frontier Railway, when it was incurring additional expenditure on infructuous haulage of wagons. The Committee were informed, "This case of the weighbridge at Borgolai is a case of very wrong planning initially. It is a station of only two lines and at a two-lines station, it is absolutely impossible to have weighment arrangements. It was a case of absolute wrong planning. Because the pressure was put in 1964, the weighbridge was actually installed and it was commissioned. The commissioning was defective because there was some water-fall on that weighbridge and, after 3 or 4 months, it gave way. Now we have been told that it was again commissioned. I am looking into it. There is the infructuous expenditure of Rs. 2 lakhs pointed out by Audit." The witness further stated: "My feeling is that there should be no weighbridge at this point because putting a weighbridge means developing a big yard on which I will have to incur the capital expenditure and all that."

4.103. The Committee are not very happy about the state of affairs in regard to the commissioning and utilisation of weighbridges. Out of 23 weighbridges which were reported to be idle, 11 have since been commissioned after delays, five have been installed but not yet commis-

sioned, six are still to be installed and one is under repair. The representative of the Railway Board himself admitted during evidence that "all these are cases of negligence and neglect and there is no defence for any of these cases." The Committee note that action to fix responsibility in these cases has been initiated by the Railway Board. The Committee trust that the Railway Board will also ensure that such of the weighbridges as are not yet being used are expeditiously put into commission. It is also necessary to ensure that orders for new weighbridges are not placed without detailed planning in advance of their installation and that weighbridges are effectively maintained.

V

OPERATION

Central Railway—Unproductive haulage engines

Audit Paragraph

5.1. From 1st April, 1965 the engines of Deluxe/Southern Express, homed at Jhansi shed, were working the Taj Express, (up and down) for one day before returning to Jhansi. On dieselisation of Deluxe/Southern Express from 1st April, 1966, this engine link was broken. Instead of evolving a suitable alternative link from that date, the engines meant for Taj Express were run double headed with Punjab Mail between Jhansi and Agra (215 Kms.) on alternate days. This resulted in avoidable expenditure to the extent of Rs. 17,760 per month on running allowance to staff and the cost of fuel, water, tallow, oil and repairs.

5.2. After the matter was taken up in Audit in February, 1967, a combined link for Janata Express and Taj Express was introduced from 1st April, 1967 resulting in discontinuance of the double heading. The extra expenditure incurred on running the engines double headed from 1st April, 1966 to 31st March, 1967 was Rs. 2. 13 lakhs.

5.3. The Railway Administration explained (February, 1968) that the same became operationally feasible after the opening of the Delhi goods avoiding line in 1967 between Delhi and New Delhi. It may be mentioned that the number of train paths required between Delhi and New Delhi for this purpose remained the same before and after 1st April, 1967 and movement of light engines could have been arranged by double heading any other train between New Delhi and Delhi Jn. (4 Kms.).

[Paragraph No. 42, Audit Report (Railways), 1968].

5.4. The Committee enquired why it was necessary to run the engine double headed between Jhansi and Agra for full one year incurring an extra expenditure of Rs. 2.13 lakhs on fuel, running allowances to staff etc. The Member (Mechanical), Railway Board stated: "The position is, when the Southern Express was taken over on diesel traction, the Taj Express had to be worked by Loco having roller bearings for which the Central Railway found that they did not have maintenance facilities at Agra. In fact previously they had homed the engines at Agra and found it difficult to maintain them there. Therefore, since they could not link with any other trains they found that the engines should be homed at

Jhansi and should come..... (to Agra) to work the Taj Express. I do not consider this to be the most economical way of working and we now examining the situation on all the Railways. We are trying to get information from all sections. We will see that the most economical way of using these locos are employed by the Railways. This is not normally examined by the Railway Board. This is each individual railway's function. But since this matter has come to our notice we are asking every other railway to tell us whether there is any similar case at other places and other sections also and we will now make sure that the most economical way of working is followed."

5.5. Explaining why the double-heading was resorted to, the witness told the committee: "The railway felt that if we had to home these engines at Agra they would be spending 4·16 lakhs to develop facilities for maintenance of only these 2 locos which are running to Agra with Taj Express. This they felt was not justified because lot of capital expenditure would be there. Therefore they felt that best way of working would be to keep and home these engines at Jhansi where these facilities already exist and bring them here to work the Taj Express from here. As the audit para says this has been discontinued from the day that the line capacity between Delhi and New Delhi has become available by the opening of goods avoiding line. This goods avoiding line connects Gaziabad with New Delhi without involving a movement through Old Delhi and therefore the line between Old Delhi and New Delhi which was very congested has become now comparatively easier. And therefore it is possible to take the engine light between New Delhi and Old Delhi and that is why from 1st April this was discontinued." The Committee were informed that the goods avoiding line between Delhi and New Delhi was opened in October, 1966.

5.6. The Committee enquired whether the traffic was so heavy that one engine could not run between New Delhi and Old Delhi. The witness stated: "This section has got capacity of 30 trains each way. They are running almost full to capacity."

5.7. In reply to a question why, if the traffic was so heavy, the engine could not be double-headed with one of the trains, the witness stated: "When a train is double-headed the assisting engine is put behind the leading engine and this means difficulty of shunting operations both at New Delhi and Old Delhi. That is the reason why Northern Railway felt that it was not possible to double-head the train." In a note on this point, it has been further stated: "Whenever an engine is sent as assisting not required, it is invariably attached within the leading engine as the second engine. This is necessary as the leading engine crew are responsible for observing signal, controlling the train and also maintaining the running time."

"When these assisting not required engines work right through to the next engine changing station, both engines are detached and sent to the shed and a new engine is attached to the train. However, should the second engine be detached *en route*, extra shunting has to be performed. The shunting involves detaching the second engine and the leading engine coming back to attach itself to the train formation, recreation of vacuum and then starting."

"From the above, it will be seen that there is no difficulty in moving an additional engine attached to Mail/Express or Passenger trains if the engine is moved right up to the next engine changing station. Considerable shunting is however, necessary if attachment or detachment is required *en route* and extra time will have to be provided for the train for performing this shunting."

"Delhi to New Delhi is a heavily congested section. Movement of light engines between Delhi and New Delhi can only be possible by double-heading scheduled Mail/Express or Passenger trains. During rush hours, it is almost impossible to provide either additional time required for performing shunting to detach the second engine or to keep free any additional line for the shunting to be performed."

"All these points and difficulties were considered by the administration before a decision was taken to run Taj Express double-headed betwen Jhansi and Agra."

5.8. Audit have made the following observations on the case:

"It has been stated in reply that movement of light engines between Delhi and New Delhi can only be possible by double-heading Scheduled Mail|Express or Passenger trains. It is observed that the engine link eventually introduced with effect from 1-4-67 involved running of light engines between these two stations without any double-heading."

"It may also be mentioned in this context that the number of train paths required between Delhi Junction and New Delhi for introducing this link was the same as before 1-4-67 and movement of only light engine was required between New Delhi Junction. The arrival time of Janata Express at Delhi Junction was 18.20 hrs. and the departure time of Taj Express from Delhi was 7·00 hrs. next morning. There was thus a gap of more than 12 hours for the movement of the light engine from Delhi Junction to New Delhi. Similarly, the arrival time of Taj Express at New Delhi was 22:05 hrs. and departure time of

Janata Express from Delhi Junction was 11.35 hrs. next morning, leaving adequate time for the movement of the light engine.

It has also been stated in reply that all the points and difficulties were considered by the Administration before a decision was taken to run Taj Express double-headed between Jhansi and Agra. No papers to bear out this statement have been shown to Audit at any stage so far."

5.9. The Committee find it hard to understand why engines for hauling the Taj Express had to be run double-headed over a distance of 215 Kms. from Jhansi to Agra, when they could as well have been moved from Delhi Junction to New Delhi, a distance of 4 Kms., by establishing a suitable train-link. The process of double-heading cost the Railway Administration a sum of Rs. 2.13 lakhs over a period of one year, after which it was given up, when an engine link was established with effect from 1st April, 1967. The representative of the Railway Board himself stated during evidence that he did not "consider this to be the most economical way of working." It was, however, argued that the engine-link that was established could not have been established earlier, as congestion on the Delhi Junction—New Delhi section did not permit of movement of an engine till a 'goods avoiding line' was built. Even conceding that such movement was impossible, the Committee do not see why the engine-link was not established in October, 1966 when the goods avoiding line was built, instead of April, 1967. The Committee hope that the Railway Board will review the position regarding double-heading whenever it is in vogue in the Railways and ensure that it is avoided as far as practicable.

South Eastern and Northern Railways—Avoidable expenditure on staff employed on an experimental Scheme

Audit Paragraph

5.10. On the recommendations of an Officer appointed for introducing cost accounting system on Railways, the Ministry of Railways (Railway Board) issued instructions to five Zonal Railways between December, 1956 and February, 1957 to introduce the system of maintenance of engine-wise cost data and other subsidiary cost records for all classes of locomotives. Since the scheme was experimental, periodical reports on the cost data so collected were also called for. The Administrations were also instructed to advise the Railway Board of any difficulty in complying with their instructions.

5.11. On the South Eastern Railway, the scheme was implemented from August, 1957 by operating 15 posts of clerks sanctioned for varying periods between August, 1957 and February, 1966. Although monthly reports were being sent to the Railway Board, neither the Administration nor the

Railway Board specifically evaluated the usefulness of the scheme and the desirability of continuing it. After nearly 8 years, in June, 1965, the Administration informed the Railway Board that the main objective of the scheme, namely, control of the overhaul costs of locomotives was not achieved.

5.12. On the Northern Railway, the scheme was implemented from July, 1958 and 5 clerks were employed by October, 1959 but the scheme could not be implemented due to difficulties experienced in the booking of expenditure on stores. But no report was sent to the Railway Board. The latter did not also watch the receipt of such reports. A report was sent by the Administration only in March, 1964, that is, after operating the scheme for nearly six years.

5.13. The scheme had been implemented on Southern, Eastern and Western Railways, but no additional staff were appointed.

5.14. The scheme was withdrawn in February, 1966. The Ministry of Railways (Railway Board) stated (February, 1968) that the scheme was withdrawn because control of labour cost was to be effected under incentive scheme.

5.15. The continuation of the experimental scheme for such long periods without a proper appraisal of the results thereof meant an avoidable expenditure of Rs. 2·97 lakhs.

[Paragraph No. 48—Audit Report (Railways), 1968].

5.16. The Committee desired to know why the Railway Board did not evaluate the experimental scheme of maintenance of engine-wise cost data and other subsidiary cost records for all classes of locomotives till 1965-66 although monthly reports were being received from the Railways since 1957. The Ministry of Railways in a note have stated:

> "The Ministry of Railways would like to clarify that the working of the scheme in the selected workshops was constantly under review as can be seen from the following. Joint Directors of the Finance and the Mechanical Directorates of the Railway made an investigation in March, 1957 and suggested certain modifications to the existing procedure. A Senior Cost Accountant from the Railway Board examined the progress made at Kharagpur and suggested further modifications in May, 1957. Further investigations were carried out by Senior Officers of the Railway Board in November, 1957. Detailed discussions were held with the Railway Authorities in January, 1958. The Working of the Scheme was discussed in the C.M.Es' Conference in November, 1958, and further examined

by the Director, Mechanical Engineering, Railway Board in the middle of 1959.

The question of continuing the experimental scheme or otherwise was again gone into detail in 1960 but a final decision could not be taken as the main file on which the matter was being pursued was lost about that time. The scheme continued as there was no really good alternative immediately available. A final decision was taken when the incentive scheme was fully implemented, in the context of which the cost of labour was automatically controlled, while the streamlining of the production Office made available an adequate system of control over the cost of stores through pre-inspection.

However, the Ministry of Railways regret that the matter was not progressed with appropriate expedition mainly on account of the relevant file not being available."

5.17. The Committee enquired whether any comparative study of the cost of maintenance of locomotives in different Railways had been undertaken and what steps had been taken to ensure that such expenditure was kept to the minimum. In a note, the Ministry of Railways have stated:

"Studies have been made by the Railway Board of the cost of overhauling broad gauge steam locos on different Railways.

There is substantial variation in operating conditions on different Railways, in the condition of boilers, the type and age of locos. The amount of work done in each workshop is also dependent on the facilities available in the workshop and in the running sheds. Therefore, a comparison of cost of overhaul within even the same Railway cannot yield any worthwhile conclusion, much less a comparison of POH costs on different Railways.

The cost of overhaul of steam locomotives is being regularly analysed by individual Railway Administrations and all possible measures taken to keep it down. The cost of overhauling locomotives is made up of the cost of labour and of material and with the overhead charges relating to each. It has been possible to standardise the labour cost element after the introduction of the incentive system of payment.

Control over the cost of materials has been achieved as the incentive scheme envisages pre-determination of the components to be completely replaced anew and the components to be repair-

ed and fitted during overhaul of locomotives with an independent agency, viz. production control, being responsible for indenting for materials."

5.18. The Committee observe from the data presented in the budget documents to Parliament that the position of locomotive fleet in the Indian Railways over the years was as shown below:

Year	Steam	Diesel	Electric	Total
1951 . . .	8,120	17	72	8,209
1961	10,312	181	1311	10,624
1966 . . .	10,613	727	382	11,722
1967 . . .	10,428	776	442	11,626
1968 . . .	10,226	892	479	11,597

It will be seen that in 1968 the total number of locomotives had increased by over three-eighth of the number in 1951. It will also be seen that since 1966 the number of steam locomotives in use has been coming down.

For the repair and overhaul of rolling stock, including locomotives, there are 30 major and 18 minor workshops on the Indian Railways. The total number of locomotives of all tractors given periodical overhauls and repairs in the workshops is shown below:

Year	Broad Gauge			Metre Gauge		
	Overhaul	Repairs	Total	Overhaul	Repairs	Total
1965-66	2,399	461	2,860	765	606	1,371
1966-67	2,376	494	2,870	699	627	1,326
1967-68	2,288	476	2,764	826	661	1,487

5.19. It will be seen that over a third of the total locomotive fleet annually undergo overhauls or repairs.

The repairs and maintenance of rolling stock constitute one of the major items of revenue expenditure on the Railways, the expenditure

attributable to locomotives being the major component of this item of expenditure as shown below:

	1965-66	1966-67	1967-68
	Rs.	Rs.	Rs.
Locomotives . .	43,62,63,000	46,38,73,000	51,51,08,000
Carriages and wagons	41,51,51,000	44,67,75,000	48,82,96,000
Total . .	85,14,14,000	91,06,48,000	100,34,04,000

The average cost of repairs and maintenance to locomotives for three years ending 1967-68 is given below:

	1965-66	1966-67	1967-68
	(Cost per equated engine Km)		
Steam	0·69	0·73	0·80
Diesel	0·15	0·19	0·25
Electric . . .	0·36	0·06	0·08
All Traction	0·61	0·65	0·70

It would be seen that the average cost of repairs has been going up.

5.20. An analysis of the figures of cost of repairs and maintenance in the various Railways indicates that they varied from Railway to Railway. Thus for 1967-68, the following was the cost of repairs and maintenance of all tractions of locos:

	Northern	Eastern	Western	South-ern	Central	S.E.
Steam . .	0·40	0·71	0·51	0·84	0 54	0·51
Diesel . .	0·57	..	..	..	0·44	..
Diesel electric .	0·07	0·34	0·30	0·05	0·20	0·15
Electric .	0·04	0·29	..	..	0·32	0·23

5.21. The Committee observe that an experimental scheme for maintenance of cost data on locomotives in the various Railways introduced between December, 1956 and February, 1957 was not "progressed with appropriate expedition" from 1960 onwards, when the file on the subject was "lost." The scheme continued till 1966, when it was given up after the introduction of an incentive scheme in the workshops. The Ministry of Railways have stated that as a result of the incentive scheme and the procedures evolved "for control over the cost of stores through pre-inspection", it has been possible to check effectively the cost of repairs and overhauls of locomotives. The trends of expenditure over the years on the repair and overhaul of locomotives suggest, however, the need for devising more effective checks in this respect. The Railways have during the last three years been spending Rs. 85 crores to Rs. 100 crores on the repair and maintenance of rolling stock, a little over half of this expenditure being accounted for by locomotives. The average cost of repairs and maintenance of rolling stock, a little over half of this expenditure being accounted for by locomotives. The average cost of repairs and maintenance per equated engine kilometre for all the Railways together has gone up from Rs. 0.61 in 1965-66 to Rs. 0.70 in 1967-68. The cost has been subject to very wide variation from one Railway to another. This suggests the need for a closer study of the problem. The Committee would in this connection like to commend the following lines of approach:

(i) Detailed work studies should be conducted in the various loco sheds where overhauls and major repairs are undertaken with a view to effecting improvements in the methods of operation and achieving efficiency and economy.

(ii) The various operations involved in overhauls and major repairs should be standardised and suitable norms evolved on this basis. Such norms would facilitate comparative evaluation of the performance of different workshops and stimulate healthy competition amongst them.

(iii) Based on the standardisation of the various operations, some suitable form of batch costing should be evolved. For this purpose, the experience of undertaking like the Chittaranjan Locomotive Works could with advantage be drawn upon.

(iv) There has been a progressive reduction in the number of steam locomotives in use since 1966, due to increasing dieselisation and electrification. It would, therefore, be necessary for the Railways to assess to what extent idle capacity has been created in the steam loco sheds and such capacity could be usefully diverted for maintenance/repairs of diesel/electric locomotives, so that duplication of facilities could be avoided.

South Central Railway—Loss of revenue due to non-weighment of timber wagons

Audit Paragraph

5.22. Four out of seven major timber booking stations on the B.G. and M.G. sections of South Central Railway do not have weighing facilities. The wagons booked from three out of these four stations are marked for weighment en route at Kazipet. In practice, however, only a few wagons are being weighed at Kazipet on account of inadequate capacity of the yard and other operational considerations. In the case of consignments which could not be weighed en route and even at the destination stations freight is collected only for the minimum chargeable weight of 150 quintals in the case of B.G. wagons and 110 quintals in the case of M.G. wagons.

5.23. A test check of wagons booked from the stations without weigh bridge facilities during the period of four months from October, 1966 to January, 1967 disclosed that 74 per cent of B.G. wagons and 48 per cent of M.G. wagons were loaded beyond the minimum chargeable weights. The loss of revenue due to non-weighment was assessed at Rs. 8,179, that is, about 4.5 per cent of the invoiced freight of Rs. 1.80 lakhs in respect of the wagons covered by the test check.

[Paragraph No. 39—Audit Report (Railways), 1968].

5.24. The Committee enquired what the annual revenue from timber traffic originating from the four stations was. They were informed that the revenue in 1967-68 from timber-traffic originating from these stations, namely, Bellampalli, Sirpur Kaghaz Nagar, Mancherial and Dandeli was Rs. 10.13 lakhs. The Committee were also informed that "proposals for provision of weigh bridges at Bellampalli, Sirpur Kaghaznagar and Mancherial were examined in the past but it was not considered justified on the basis of the quantum of traffic requiring weighment to install weigh bridges at these stations. The proposal to install a weighbride at Dandeli is still under examination. The present position is that all the four stations are without weigh-bridges."

5.25. The Committee desired to know whether any comprehensive review had been carried out regarding the provision of weigh-bridges at major timber booking stations on the Railways. They were informed that "The Central, Eastern and Southern Railways have reviewed the need for provision of weighbridges for the weighment of timber wagons and have come to the conclusion that the facilities for weighment of timber as already existing are adequate. Northern Eastern Railway carried out a review in the past and as a result, 5 weigh-bridges were installed

between January, 1960 and August, 1965. Other Railways have not yet carried out a comprehensive review of arrangements of weigh-bridges for the weighment of timber and have been told to do so."

5.26. The Committee note that a test check of wagons carrying timber booked from October, 1966 to January, 1967, at four stations in the Central Railway, which lack weighbridge facilities, disclosed loading of wagons beyond the minimum chargeable weights and a consequent loss of revenue of Rs. 8,179. As the annual revenue from the timber traffic originating at these four stations is of the order of Rs. 10 lakhs, it is probable that the loss over a period of one year will be fairly substantial. The losses might also continue to recur. The Committee note that at three out of these four stations the Railway Board do not consider the installation of these weighbridges justified on this basis of traffic. As these stations carry timber traffic originating in the Chanda forests, the Committee would like the matter to be kept under constant review. Pending the installation of weighbridges, the question of intensification of surprise checks should be considered. The Committee would also like a speedy decision to be taken on the question of installation of the weighbridge at the fourth station which the Railways are at present stated to be considering.

Eastern Railways—Delay in recovery of charges in respect of sidings.

Audit Paragraph

5.27. Para 27 of Audit Report (Railways), 1961 brought out the delay in the recovery of interest, maintenance and establishment charges from the siding holders on the Eastern and other Railways.

5.28. The outstandings on this account, however, continued to accumulate. On the Eastern Railway an amount of Rs. 56.85 lakhs was outstanding at the end of December, 1966. Out of this amount, Rs. 5.32 lakhs related to periods upto 1961-62. The arrears were particularly heavy in Sealdah, Asansol and Dhanbad Divisions of the Railway where the outstandings at the end of December, 1966, amounted to Rs. 11.93 lakhs, Rs. 20.25 lakhs and Rs. 20.15 lakhs respectively.

5.29. The balance at the end of June, 1967 (in a few cases to end of August, 1967) was stated to be Rs. 33.27 lakhs.

[Paragraph No. 43—Audit Report (Railways), 1968].

5.30. The Committee were informed that on the Eastern Railway a sum of Rs. 56.85 lakhs remained outstanding at the end of December,

1966. This amount comprised Rs. 27.80 lakhs on account of interest and maintenance charges and Rs. 29.04 lakhs on account of establishment charges. Out of Rs. 56.85 lakhs, an amount of Rs. 13.03 lakhs was outstanding on 30th September, 1968 from all siding owners the balance having been recovered. The bulk of outstandings related to National Coal Development Corpporation (Rs. 4.98 lakhs), Calcutta Port Commissioners (Rs. 2.74 lakhs) and Hindustan Steel (Rs. 1.01 lakhs). The detailed position in regard to recovery from these three parties were as follows:

"National Coal Development Corporation—Rs. 4,97,780.86:

A meeting was held with the N.C.D.C. authorities on 25th April, 1968 with a view to securing expeditious recovery of the outstanding dues from that party. It was decided in the meeting that by the end of May, 1968 all outstandings on account of interest and maintenance charges for N.C.D.C. sidings opened to traffic would be paid by them. In respect of additional cost and interest and maintenance charges on account of revised estimates pertaining to the sidings, these would be sent to N.C.D.C. for their acceptance and immediately on receipt of the same, they should pay the amounts due. As regards Gidi 'A' siding, there was difference of opinion regarding charging of capital cost and the interest charges to the N.C.D.C. who wanted to represent the matter to the Board for reconsideration. Regarding question of payment of tollage by the Relgara Colliery for the use of a portion of Gidi 'A' siding over which their wagons have to move, an agreement was proposed to be signed after which payments would be made accordingly with retrospective effect."

"Calcutta Port Commissioners—Rs. 2,73,996.48:

The dispute with the Calcutta Port Commissioners has since been sorted out with the execution of a new agreement with retrospective effect from 15th August, 1947. It is expected that it will be possible to persuade the Port Commissioners to pay the outstanding dues of Railway as early as possible."

"M/s. Hindustan Steel Ltd.

(a) Dugda Coal Washery—Rs. 67,321.08:

The accumulation of the outstanding dues is attributable to a dispute raised by Hindustan Steel Ltd. over the apportionment of the cost of different categories of staff posted by the Railway at the Exchange Yard. A series of correspondence were

exchanged between the Washery authorities and the Railway and a number of meetings were held to solve the disputed points. After the dispute was resolved, all the staff bills had to be recast on the basis of apportionment of cost agreed upon, and resubmitted to the party. The Washery authorities have now contended that the scrutiny of the bills has revealed some discrepancies and it was agreed that the party would send their representatives to the Divisional Office at Dhanbad for joint check of the bills to resolve the discrepancies. The joint check of bills has started from 29th April, 1968. The party has assured payment after the joint check of bills is completed.

(b) **Patherdih Coal Washery—Rs. 51,933.45:**

An amount of Rs. 18,285.64 has already been paid by the party. The bills in regard to the balance amount of Rs. 33,647.81 are being checked by them and they have assured early payment."

5.31. The Committee desired to know why the charges were allowed to accumulate. They were informed that there were as many as 506 Assisted and 152 Private Sidings on Eastern Railway. The outstandings related to a small number of sidings and the majority of them had not defaulted in this respect. Although bills for the recovery of charges were preferred in time, certain big undertakings and Public Sector concerns who accounted for over 80 per cent of these outstandings (to the end of September, 1968) raised a number of objections. It was mainly due to the delay in resolving the disputes that the charges recoverable from them had remained outstanding so long.

5.32. The Committee were informed that there was no procedural lacunae or negligence on the part of the staff in preferring bills and chasing recovery of outstanding dues.

5.33. The Committee note that, out of a sum of Rs. 56.85 lakhs recoverable as at the end of December, 1966, from various siding holders in the Eastern Railway, a sum of Rs. 14.68 lakhs was still awaiting recovery at the end of July, 1968. The bulk of the recovery relates to public undertakings who have disputed the basis of charges. The Committee hoped that the matter will be speedily sorted out and the outstanding dues expeditiously realised.

Central Railway—Delay in recoveries from Defence authorities

Audit Paragraph

5.34. Interest, maintenance and depreciation charges in respect of rolling stock built or exclusively reserved for defence authorities are re-

quired to be recovered from them. After it was pointed out by Audit in February, 1963 that recoveries in respect of the year 1958-59 for 55 coaches were not made from the Defence authorities, the Railway Administration preferred a claim for Rs. 5.26 lakhs in July, 1965. This claim was rejected by the Defence authorities in September, 1965 as time-barred. Further claims by the Administration for a sum of Rs. 5.32 lakhs on account of 9 coaches and 172 wagons for various periods from 1958-59 to 1963-64, preferred in June, 1966 and April, 1967, were also similarly rejected as time-barred. At this stage under-recovery of Rs. 5:40 lakhs for the years 1953-54 to 1963-64 also came to light. Recovery of amounts aggregating to Rs. 15.98 lakhs thus remains to be settled.

5.35. The Railway Administration stated (February, 1968) that the question of recovery of these charges was being closely pursued by the Ministry of Railways with the Ministry of Defence, and that disciplinary proceedings against some staff were in progress.

[Paragraph No. 44—Audit Report (Railway), 1968].

5.36. The Committee enquired whether the delay in raising the claims had been investigated to ascertain whether there was any lacuna in procedure and what steps had been taken to ensure that charges were promptly raised in future. The Ministry in a note stated, "The delay in raising the claims against the Defence Department is not attributable to any lacuna in procedure, which provides for maintenance of up to date registers both by Mechanical and Accounts Departments and billing of charges in respect of all wagons/coaches. The lapse is mainly due to failure to follow the prescribed procedure and action is being taken against the staff responsible. The procedure is further refined and a detailed joint procedure office order has since been issued by the Central Railway providing for rigid watch on the timely preparation and submission of bills and to ensure against any omission."

5.37. In reply to a question, the Committee were informed that disciplinary proceedings against the staff found at fault were at an advanced stage and were expected to be finalised by the end of November, 1968.

5.38. With regard to the present position, the Committee were informed that the Defence Authorities had not resiled from their original stand and the claims were time barred and, therefore, no recovery could be made in regard to the outstanding issues. The matter was, however, being pursued and the question was proposed to be discussed in a meeting with the Officers of the Defence Ministry.

5.39. The Committee regret to note that claims amounting to Rs. 15.98 lakhs for maintenance and other expenses incurred on rolling stock used by Defence Authorities were not preferred by the Central Railway in time and were rejected by the Defence authorities as time-barred. It is surprising that the claims were not raised till Audit brought up the matter and. even after Audit had drawn the attention of the Railways to the position, it took about two and a half years to prefer the claims. The Committee note that action for fixing responsibility in this case is under way and that the Railways are negotiating with the Defence authorities for settlement of the claims. The Committee would like to be apprised of the final outcome of these efforts.

VI

EXPENDITURE ON STAFF

Central Railway—Avoidable expenditure on a scheme for prevention of thefts

Audit Prapragh

6.1. The prinicipal duty of the Railway Protection Force is the protection and safeguarding of Railway property. In Jhansi Loco Shed, homing about 142 engines, there were 72 men of the Force. The loco shed was protected by a boundary wall except for a few yards which was covered by barbed wire fencing and the Railway Protection Force staff were posted at each of the five entries into the shed.

6.2. Notwithstanding the posting of these Railway Protection Force men (at an annual cost of about Rs. 85 thousand) the authorities of the Jhansi Division introduced a scheme, with effect from 10th August, 1965, for eliminating thefts of costly fittings from locomotives, according to which one engine was to be entrusted to one shunter throughout the period of its homing and repairs in the shed. Accordingly, 32 running staff were put on this special duty round the clock in three shifts and the resultant vacancies were filled by chain promotion from lower categories, the vacancies in the lowest grade being filled by casual labour. Sanction of the competent authority for the employment of running staff in this manner was, however, not obtained. The scheme was given up after about a year, with effect from 27th August, 1966, without any recorded reason. The expenditure on the scheme was Rs. 46 thousand.

6.3. The Administration stated (January, 1968) that the *post facto* sanction of the competent authority had since been obtained and that the scheme was intended to ensure that engines were not handled by too many men. It may be stated that the multiple handling was not avoided as men were employed in shifts. Further, the thefts were not eliminated.

[Paragraph No. 45—Audit Report (Railways), 1968].

6.4. In a note to the Committee, the Ministry of Railways stated that on account of thefts of loco fittings in Jhansi Loco Shed the Railways sustained a loss of Rs. 7,360 during one year before the posting of shunters (*viz.* before August, 1965). During the period the shunters were

posted on this duty (*i.e.* from August, 1965 to August, 1966) the loss amounted to Rs. 3,030, whereas for the subsequent two years after the scheme was abandoned, the losses amounted to Rs. 1,599 and Rs. 2,186 respectively.

6.5. In reply to a question whether the question of improving the security arrangements in the Jhansi Loco Shed was not taken up by the Divisional authorities with the Chief Security Officer at the Headquarters Office before the scheme was introduced, the Ministry of Railways have replied in the negative.

6.6. The Committee are surprised to learn that to prevent thefts of Loco fittings which amounted to Rs. 7,400, one of the Divisions in the Central Railway initiated a scheme for detailing loco staff on duty during the 'homing' of locomotives at a cost of Rs. 46,000. It is regrettable that, before introducing the scheme, the Division failed to obtain the sanction of the competent authority or even to consider in consultation with the Chief Security Officer whether the existing security arrangements could be improved. The Committee note that the scheme has since been given up. The Committee desire that action should be taken to ensure that cases of this type do not recur.

Southern Railway—Avoidable expenditure on Railway porters

Audit Paragraph

6.7. The extant rules provide that sanctions to posts with a long period of currency as well as sanctions of a permanent nature should be reviewed periodically so that the sanctions may be revised if such a course is prompted by any event.

6.8. It was noticed in Audit in April, 1967 that, in respect of 16 stations, while employment of only 184 porters was justified on the basis of yard-sticks laid down by the Administration, the number actually employed was 411 involving an avoidable expenditure of about Rs. 3 lakhs per annum.

6.9. The Administration stated (December, 1967) that application of the yard-stick to individual stations had to take into account the layout of the station platform, the nature of the traffic etc., and hence the avoidable expenditure was not of the magnitude indicated. It was further stated that on a special review conducted on receipt of Audit observations for the 16 stations, 59 posts were surrendered and that a further review in respect of other stations was in progress. The avoidable expenditure in the operation of these 59 posts for the years 1965-66 and 1966-67 was Rs. 1.22 lakhs.

[Paragraph No. 46, Audit Report (Railways), 1968]

6.10. The Committee were informed that generally speaking, no yardstick for provision of Railway porters had been laid down by the Railway Board. The Zonal Railways prescribed yardsticks for certain categories whenever considered necessary and feasible having regard to the local conditions of working. Where such yardsticks did not exist, the strength of staff was determined from time to time on the basis of actual work-load and other attendant factors. In March, 1968, instructions were issued to the Railways that, in view of the fact that there had been a considerable change in the conditions of working due to provision of additional facilities, labour saving devices, standard of communications etc., the ground conditions used for evolving the yardsticks earlier might have changed and might be no more relevant to the present working conditions and that therefore, an immediate review of the yardsticks in vogue on each railway should be undertaken. Besides, according to the standing practice as embodied in Rule 307 of the Railway Code, a periodical review was carried out of all sanctions for posts including permanent ones. "In the present context of difficult financial position, all Railways are making a concerted effort to make reduction in staff strengths and substantial economies have been effected."

6.11. The Committee enquired during evidence why the Southern Railway appointed 227 porters in excess of requirements. The Member (Staff) Railway Board stated: "The Southern Ralway laid down that there should be for every 200 maunds of goods one goods shed porter and for 85 maunds of parcel, one parcel porter. That was a general yardstick laid down for assesing the porters. This yardstick was not to be taken as sacrosanct for all the stations under all the conditions.....This is a general yardstick for the weight portion of the work.....This yardstick was to be applied to the quantum of load only and did not allow for other factors.....The other conditions are: stacking of consignments, reweighment of packages and consignments which are damaged, taking out an inventory, loading and unloading of cash chests.....etc.....So in actual analysis the Railways first apply the yardstick for the load and then take into account the other factors."

6.12. The witness explained that the figure of 184 porters mentioned in the Audit paragraph took into account only the weight factor. He added: "The actual requirement of porters decided on weight yardstick is 184 and the actual employment was 411. The requirement on other factors worked out by the Railways for other items of works was 38 extra porters. Then there was the question of rest-givers for all categories of class IV staff at the station, which was provided for in the porters category. All this combined, the total figure came down to 352. There-

fore, the Railway surrendered 59 posts which were found surplus after applying all these factors." The witness further stated that even before the Audit paragraph was received, 31 posts had not been operated by the Southern Railway and the total of the 59 surrendered. "It will not be quite correct", he said, "to say that there has been any avoidable expenditure by keeping the surplus staff. It is a question of carrying out a review as quickly as possible....."

6.13. The Committee enquired under what circumstances the 59 posts of porters originally sanctioned for these stations subsequently became excessive. The Ministry of Railways have in a note stated: "Out of the 59 posts, 49 permanent posts were created prior to 1951 and the balance 10 temporary posts were created in 1953 for Madras Egmore Parcel Office. All these posts were created on the basis of the work-load then existing. Parcel traffic at individual stations shows fluctuating trends. But a review of strength of staff has to be based on the positive trends of traffic movement rather than any sudden spurt or decline. When It was found upon a review of traffic trends that there was justification for surrender of posts, 59 posts were surrendered. This surrender of posts was given effect to only after proper assessment of the work-load." In reply to a further question whether due to change in ground conditions, due to provision of additional facilities, labour saving devices etc., a review of yardsticks for different categories of staff had been carried out, it has been stated: "Only the Western, Southern and South Eastern Railways have so far sent their comments and even these are not complete."

"The review of yardsticks is laborious and it will be some time before any significant progress can be achieved."

6.14. The Committee note that during the last three years the wage-bill of the Railways was as follows:

(In crores of rupees)

Class of Staff	Cost of Staff		
	1965-66	1966-67	1967-68
Classes I and II	8·27	9·56	10·05
Class III	182·74	200·19	216·55
Class IV	119·35	129·33	140·47
TOTAL:	310·36	339·08	367·07

6.15. The Committee note that the Southern Railway carried on its rolls 59 posts of porters in excess of requirements, 49 of them sanctioned prior to 1951 and the rest in 1953. The posts were surrendered some time in 1967. This suggests that a periodical review of the strength of the establishment was not carried out by the Railways as provided for in the standing procedure. The Committee also note that the Railway Board themselves feel that, due to the change in ground conditions that have occurred over the years, the yardsticks in vogue for the provision of various categories of staff on the various Railways need review. The Railway employ a substantial establishment and their wage bill is annually of the order of Rs. 330 to 350 crores. The need to effect economies in this field, therefore needs no emphasis, particularly as the Railways have now run into a deficit. The Committee hope that the Efficiency Bureau of the Railways will under take a systematic study of the major categories of staff and evolve realistic norms for those categories taking into account the local conditions obtaining in the individual Railways.

VII

OTHER TOPICS OF INTEREST

Losses

Audit Paragraph

7.1 Particulars of losses adjusted in the accounts for the year are mentioned in "Annexure 'H' to the Appropriation Accounnts of Railways in India—Part II—Detailed Accounts." The total amount of losses adjusted during the year was Rs. 228 lakhs as against Rs. 184 lakhs adjusted in the previous year. The details of the losses under broad categories are given below:

Reasons for losses	Amount) (In lakhs of rupees)
1. Damage to Railway properties caused by accidents	65
2. Thefts (including thefts of fitings in Rolling Stock)	53
3. Loss of steel due to sinkage of a vessel in December, 1962	55
4. Losses caused by natural calamities such as floods, storm, fire, etc.	17
5. Loss arising from civil disturbances	13
6. Inefficient balances under suspense heads and irrecoverable overpayments to staff, conractors, etc., written off	8
7. Other losses	17
Total	228

7.2. The losses due to accidents were adjusted on six Railways, namely, Central (Rs. 26.6 lakhs), South Central (Rs. 15.1 lakhs), South-Eastern (Rs. 7.6 lakhs), Northern (Rs. 6.6 lakhs), Southern and Western (Rs. 4.4 lakhs each) Railways. No loss on account of accidents was adjusted on Eastern, North Eastern and Northeast Frontier Railways for the three years ended 1966-67

7.3. The phenomenal increase in the total amount of loss attributed to thefts during 1965-66 was commented upon in para 14 of the Audit Report, Railways, 1967. The total amount of loss on this account adjusted during the year under reports showed a further increase of Rs. 3 lakhs over that in the previous year. As in that year, bulk of the loss was adjusted on the following Railways:

	1965-66	1966-67
	(In lakhs of rupees)	
1. Southern	13·8	17·1
2. Central	11·2	9·8
3. South Central	..	6·3
4. Easern	14·1	11·9
5. Northern	7·8	4·5
Total	46·9	49·6

7.4. The Public Accounts Committee in their 32nd Report (Third Lok Sabha) desired that the losses attributable to theft of fittings should be assessed separately. These losses have, however, not been exhibited separately except by Northern (Rs. 2.87 lakhs), Northeast Frontier (Rs. 15 thousand) and South Central (Rs. 6.24 lakhs) Railways although the Ministry of Railways issued directions to the Railway Administration in November, 1965, as to the procedure to be adopted for determining the losses due to thefts of fittings and as to the method of assessment of their value. The Ministry of Railways also instructed that the losses should be investigated with a view to taking adequate remedial action.

[Paragraph No. 8—Audit Report (Railways), 1968].

7·5. The Committee enquired whether the Railway Board had investigated the reasons for heavy incidence of thefts, particularly in South Eastren Railway, Southern, South-Central, Central, Eastern and Northern Railways. In a note on this point, the Ministry of Railways have state:

"The concentration of crimes on this Railway is around the Metropolitan towns of Bombay, Nagpur (Ajni), Bhusawal and Jhansi. The worst affected division is the Bombay Division which is due to concentration of industry, large number of floating population and criminals

The terminating point of several important trains is also Bombay where thefts occurring elsewhere are recorded.

7.6. Special measures were taken by way of posting of escorts on running trains on vulnerable sections, stabled coaches in vulnerable yards and surprise checking by supervisory staff over these arrangements, strengthening of crime intelligence branches, developing of intelligence, organising raids on receivers of stolen property with the assistance of police.

Eastern Railway

7.7. This Railway covers thickly populated areas with industrial and labour population. The law and order situation in this area was also far from satisfactory. This had given greater scope to criminal elements to indulge in thefts. The stolen articles like OHE, cast iron equipment etc. found ready market in the ancillary industries abounding in these areas.

7.8. The black spots in this Railway are the following sections and yards:—

Bally-Chandernagar

Howrah Coaching Yard,

Bandel Yard,

Sealdah Coaching Yard,

Moghalsarai Yard,

Barrackpur-Shyamnagar

Intensive measures taken include patrolling by armed parties in affected areas which resulted in a large number of encounters with armed and desperate gangs and opening of fire by the R.P.F. Several trains in vulnerable areas were also escorted by R.P.F.

7.9. The assistance of the GRP and State Police was sought at highest level and raids conducted have yielded large amounts of stolen property.

Northern Railway.

710. Northern Railway passes through densely populated areas and has largest mileage and a number of branch lines susceptible to thefts. Industries in and around Delhi and Punjab as also a large number of metal industries find a ready market for stolen goods.

7.11. Some of the affected areas are areas around Delhi, Delhi-Palwal. Tundla-Shikoabad, Moradabad-Hardoi, Lucknow-Faizabad.

7.12. Strengthening of Crime Intelligence Branch in the affected Divisions helped in organising raids against thieves and receivers of stolen property.

Southern Railway

7.13. Prior to its bifurcation, this was one of the longest and most important Railways. Even now Madras and Bangalore have large industrial belts around them. The other affected areas are Basin Bridge yard, Madras Central, Guntakal, Renigunta, Mysore, Villupuram.

7.14. On the Southern Railway also the Crime Intelligence Branches have been strengthened. Extensive use of dog squads on Southern Railway has yielded good results.

7.15. Similar special measures which include study of crime pockets and intensive patrolling thereon by armed parties, patrolling in affected yards by armed parties and dog squads, strengthening of intelligence and developing of sources as well as keeping a watch on Railway and outside staff suspected to be involved in or conniving in the commission of crimes of Railway property, were also taken on other Railways.

South Central Railway

7.16. The concentration of crimes on this Railway was mostly around Secunderabad, Vijayawada, Guntur and Masulipatnam, as also on Hubli Division.

7.17. Strengthening of crime intelligence in the affected places, as also surprise raids by the RPF in co-ordination with the Police, against the thieves and receivers of stolen property, have resulted in recovery of large number of Dynamo belts etc. along with the arrest of notorious criminals.

7.18. The Committee note that over the years claims paid by the Railways have been increasing. The claims paid, the portion thereof relating to goods lost or pilfered and the expenditure incurred on the Railway Protection Force during the three years 1965-66, 1966-67 and 1967-68 are tabulated below:

	1965-66	1966-67	1967-68
	(In crores of rupees)		
(*i*) Net amount of claims paid . .	5·11	5·45	7·22
(*ii*) Claims paid attributable to loss/theft/ pilferage	3·84	4·30	5·87
(*iii*) Expendiure on R.P.F. . . .	9·63	10·87	11·97
(*iv*) Average No. of days for settlement of claims	31·07	29·2	32·8

7.19. The Committee enquired why the losses on account of thefts of fittings were not being exhibited separately, as recommended by them in their 32nd Report (Third Lok Sabha). In a note it has been stated that certain instructions were issued by the Railway Board in November, 1965.

"These instructions prescribed how the loss on account of deficiencies of fittings attributable to theft should be assessed and included in Annexure H—Statement of losses etc. to the Appropriation Accounts; but did not, however specify that this item of loss should be shown separately in the aforesaid statement. As stated in the Audit Para itself, these losses for 1966-67 had been shown separately by Northern (2.87 lakhs), Northeast-Frontier (15 thousands) and South-Central (6.24 lakhs), but it has been ascertained from other Railways that they also had duly assessed them but had grouped these losses with other losses on account of theft. During 1966-67 the losses of fittings falling within the purview of Railway Board's aforesaid instructions were as under:—

Railway	Amount (in thousands of rupees)
Central	8,57
Eastern	9,87
Northern	2,87
North-Eastern	14
Northeast Fronier	15
Southern	30
South Cenral	6,24
South Eastern	18*
Western	14

*This is under verification by Audit.

The total loss due to damage caused by accidents during 1964-65, 1965-66 and 1966-67 Railway-wise is given below:

Railway	1964-65	1965-66	1966-67
	(Amount in thousands)		
Central	7,30	23,09	26,65
Northern	5,69	6,18	6,60
Southern	12.93	6,58	4,43
South Central	..	..	15,06
South Eastern	3,35	17,68	7,63
Western	5,09	10,51	4,42
Total	34,36 or 34 lakhs	64,04 or 64 lakhs	64,79 or 65 lakhs

* * * *

The accounts for 1967-68 have been closed only recently and the preparation of the Appropriation Accounts and the supporting annexures is in hand. The figures of losses on account of accidents relating to 1967-68 are, therefore, not available at this stage."

7.20. The Committee are concerned over the increasing incidence of thefts on the Railways. With the growing number of thefts, the Railways have also been facing claims from parties on an increasing scale. Some idea of the magnitude of the problem can be had from the fact that claims paid on account of "losses", theft and pilferage increased from Rs. 3.84 crores in 1965-66 to Rs. 5.87 crores in 1967-68. These accounted for over three-fifths of the net claims paid during these years. The fact that during this period the expenditure on the Railway Protection Force increased from Rs. 9.63 crores to Rs. 11.97 crores raises the question whether the Railways have been able to obtain results commensurate with the heavy expenditure on this Force. The Committee would like the Railway Board to examine how best the Railway Protection Force could be made effective to minimise the growing incidence of thefts.

7.21. Incidentally, the Committee note that the Railways took 33.1 days to settle claims in 1967-68 as against 31.7 days in 1965-66 and 34.3

days in 1966-67. The Committee would like steps to be taken to ensure that the Commercial Department settles claims in an expeditious and businesslike manner.

7.22. The Committee had in their 32nd Report (Third Lok Sabha) recommended that losses on account of thefts of fittings should be separately exhibited in the Appropriation Accounts. The Committee observe that this is not being done by some of the Railways. The Committee desire that their recommendations should be implemented quickly.

Central Railway—Loss due to short recovery of coal ashes

Audit Paragraph

7.23. The residual droppings from coal consumed by the engines etc., are recovered and utilised for construction purposes and quantities surplus to the requirements of the Railways are sold to the public. An Expert Committee, which had gone into the question of coal consumption on Railways in 1958, had estimated that the quantity of coal ashes produced was about 22.5 per cent of the total coal consumed.

7.24. A test check made in the Jhansi Division of the Central Railway revealed that the coal ashes collected were far below the percentage estimated by the Committee. The coal consumed by the Division was about 6 lakh tonnes in 1964-65 and 1965-66 from which about 1.35 lakh tonnes or 66 lakh cft. of ashes could have been collected in each year. Against this, only a quantity of 26 lakh cft. in 1964-65 and 27 lakh cft. in 1965-66 were collected by the Division.

7.25. Apart from the estimation of the Expert Committee, the quantities of coal ashes to be collected at each shed were fixed in 1963 on the basis of trials conducted by a Divisional Officer. A total of 57 lakh cft. were to be recovered in the Jhansi Division, in each year, according to these quantities.

7.26. The coal ashes actually collected and disposed of in the Division fetched rates ranging from Rs. 8.70 per hundred cft. to Rs. 67.50 per hundred cft. On the basis of these rates the loss suffered by the Railways due to short recovery of ashes with reference to the quantities fixed by the Divisional Officer was Rs. 10.36 lakhs in 1964-65 and another Rs. 9.65 lakhs in 1965-66.

7.27. The Administration stated (September, 1967) that the assessment made by the Divisional Officer was unrealistic as it did no allow for the differing yields on account of various imponderables such as type of coal, type of engine, load of train, etc. The total quantity fixed by the Officer for recovery was about 19 per cent of the total coal con-

sumed in the Division. The actual recovery worked out to less than 10 per cent in each year.

(Paragraph No. 49—Audit Report (Railways), 1968)

7.28. The Committee enquired why ash collection in the Division of the Central Railway was so low. They were informed that: "The figures for the percentage of recovery of coal ashes are worked by taking into consideration the quantity of coal ashes accounted for at the time of final disposal from the stacks at various locations on the Railways, and the total quantity of coal consumed. Regular accountal of collection of coal ashes is difficult because ashes are dropped from steam locos at numerous ash pits, near water columns, on the line, in the traffic yards, in the loco sheds and at industrial and colliery sidings. To get accurate figures for coal ash recovery, it is necessary to appoint adequate staff to colect the required information which would be very expensive and may not be justified. On those Railways, where the ashes have a good demand, and they are easily disposed of by sale, it is worthwhile to make greater efforts to keep detailed accounts. Where the ashes cannot be easily disposed of and form large accumulations in loco sheds, station yards etc., the Railways will not find it advantageous to collect and keep detailed accountal."

7.29. In regard to the percentage recovery of coal ash from coal in the Jhansi Division as compared to other Divisions in Central Railway and some of the other Railways, the following data was furnished to the Committee:

For 1967-68

	Name of the Division	Approximate percentage of coal ashes recovered
(I)	Bombay	12·93
	Bhusawal	11·00
	Jabalpur	7·00
	Jhansi	9·94

Other Zonal Railways

	Name of the Railway	Approximate percentage of coal ashes recovered
(II)		
	Central	8·56
	Southern	17·20
	South Central	14·60
	Western	7·40

7.30. Explaining the reasons for variation in recovery, the Ministry of Railways stated: "Ash content in coal varies from grade to grade—superior grades of coal have lesser ash content, while the lower grades of coal have higher ash content. The quality of coal varies on different Railways as well as on different Divisions of the same Railway. The other factors which account for variations are the design of the engine, firing technique and the skill of the engine crew. Between the time the ashes are dropped in the pits and they are finally disposed of, the following factors come into play, the effect of which can vary from Railway to Railway and from Division to Division:

(i) The percentage of recovery of coal ashes on a particular Division/Railway is calculated on the total amount of coal issued on the Division|Railway and the ashes accounted for. In many cases, locomotives are coaled on a particular Division|Railway and the ashes are dropped in the ash pits situated in other Divisions|Railways. As such, there would be variation in the recovery of coal ashes between Division to Division and Railway to Railway.

(ii) Ashes dropped in pits are cooled by wetting with water before they are removed from the pits and during this process, considerable quantity of powdery ashes is mixed with water and flows out. The degree of wetting with water varies from place to place.

(iii) Ashes lie in dumping ground for considerable time before removal for departmental use or disposal by sale. During this period, some quantity of ashes is washed away by rains and blown off by winds because the ashes are dumped in open spaces.

(iv) The accuracy of final accountal of coal ashes varies from Railway to Railway depending on the reasons as mentioned above.

As the yield and recovery of ashes are subject to variation on account of many factors beyond control, it is not possible to work out any norms."

7.31. In regard to the short recovery pointed out in the Audit para, the Committee were informed: "The shortages were computed by the Audit with reference to a 3-day trial report by the Divisional Officer. These trials were conducted for an entirely different purpose of getting a rough idea of the yield of ashes in connection with introducing a suitable clause in the contract agreement and were not intended for fixing targets for recovery. As....., the purpose of trials by the Divisional Officer was not to fix the target for recovery of ashes....The ashes which are collected from the various pits immediately after they are dropped from the locomotive and measured straightway would be much different from the quantity of ashes that is measured after the same has been transported and dumped at specific places after a long time when the ashes are required to be disposed of by auction or for use on the Railways. As such, the assessment made by the Divisional Officer is not applicable for the purpose of assessing the recovery of ashes."

7.32. Audit have offered the following observations in this case:

"The point to be appreciated in this case is the low yield of ashes, as accounted for, in the context of sizeable demand for these ashes in the coal market as revealed by the auctions which actually took place. As mentioned in the Audit Report the coal ashes collected and disposed of fetched rates ranging from Rs. 8.70 per hundred cft. to Rs. 67.50 per hundred cft. If more ashes had been collected and disposed of by auction, the Railways could have earned substantial sums. If the ashes have no market at all, one could be complacent even if no proper accountal is made."

"So far as the difficulties in the matter of collection of ashes are concerned, these are bound to be the same in all the Railways. The fact that some of the Railways have been able to recover and account for substantial percentages of ashes with reference to the coal consumed would show that the difficulties are not insurmountable....The ashes recovered in Southern Railways was as high as 17.20 per cent. A point has been made out that the assessment made by the Divisional Officer was on the basis of limited trials. As already stated in the Audit para the percentage assessed was even lower

than that estimated by the Expert Committee. With the increase in the receipt of lower grade coal by the Railways (which has the effect of increasing the consumption of coal also) the percentage of recoverable ashes from coal should be even higher."

7.33. In regard to the Railway Board's observations "that to get accurate figures of coal ash recovery, it is necessary to appoint adequate staff to collect the required information, which would be expensive", Audit have brought the following position to notice. The Railway Board had issued instructions in July, 1967 in which they had brought to the notice of the individual Railway Administrations the fact that it was "essential to maintain proper statistics regarding the reclamation and utilisation of cinders on Railways." The Railway Board had considered this essential as "figures received from Railways giving the percentage of cinders reclaimed to the total coal consumed showed wide variations" and indicated "the need for and the scope of improving the existing methods of picking with a view to achieving the maximum reclamation of cinders from coal ashes." The instructions issued by the Railway Board contemplated that the Engineering Department should maintain "statistics in respect of the actual accumulation and disposal of ashes" and submit six monthly returns in respect of cinders reclaimed.

7.34. The Committee feel that the collection of coal ashes in the Jhansi Division during 1964-65 and 1965-66 was very low. It amounted to 10 per cent. of the coal consumed against a recovery percentage of about 22 per cent. fixed by an Expert Committee which had gone into the question of coal consumption in the Railways in 1958. From the data furnished by the Railway Board, it is seen that recovery percentages in the Central Railway as a whole and some of the other Railways like the Western Railway were likewise low. With the increasing consumption of lower grade coal by Railways in recent years, it should be possible to get much better realisation in this respect. In view of the fact that coal ashes fetch a fairly substantial income to the Railways, it may be worthwhile examining why the realisations are at present so poor and whether there is any slackness or leakage in this respect which needs to be remedied.

Eastern Railway—Excess payment of municipal taxes

Audit Paragraph

7.35. The Administration acquired a company-managed Railway with effect from 1st April, 1957 with several holdings within the jurisdiction of Calcutta South Suburban Municipality. The holdings were valued for the quinquenials ended 31st March, 1958 and 31st March, 1963 at

Rs. 22,770 and Rs. 38,820 respectively for the purpose of recovery of municipal taxes.

7.36. However, in a resolution adopted by the Municipality in January, 1962, all the holdings were amalgamated and were revalued at Rs. 1,78,400 on consideration of general appreciation of value of land and structures. The increase in the municipal taxes was given retrospective effect from 1st April, 1957 and was paid by the Administration.

7.37. As Sections 131 and 138 of the Bengal Municipal Act provided that, on amalgamation of several premises, tax assessment should not be greater than the sum of previous assessments, revision in the valuation of a holding during the quinquennial period being permissible only on account of errors of omission and commission, it was pointed out by Audit in October, 1964 that the revision of the valuation (valid upto 31st March, 1963) and the payment of municipal taxes on that basis with retrospective effect was not in order. The taxes excess paid for the period 1st April, 1957 to 31st March, 1963 came to Rs. 1.81 lakhs.

7.38. After protracted correspondence with Audit, the Railway Administration lodged a claim with the Municipality for refund of the excess tax paid in January, 1967, that is, more than 2 years and 3 months after the matter was taken up in Audit.

7.39. The Administration stated (February, 1968) that the Municipality had since agreed to refund the excess payment by way of adjustment through subsequent tax bills.

[Paragraph No. 51—Audit Report (Railways), 1968.]

7.40. The Committee enquired why there was a delay on the part of the Railways in taking up the question of refund of excess tax paid to the Municipality after it was pointed out by Audit. In a note on this point, the Department have stated:

> "The excess payment was first pointed out by the Audit in their note dated 14-10-1964. The Railway did not take up the matter with the Municipality immediately on receipt of that Audit note because at that time they had no reason or material on their records to doubt the Municipality's assertion (made in their letter of 15-9-1961) that the correct figure of earlier valuation of the properties in question was Rs. 2.51 lakhs (as against Rs. 22,770 for the quinquennium ending 31-3-1958 and Rs. 38,870 for the quinquennium ending

31-3-1963 mentioned in the Audit note). Actually, no records relating to Municipal assessments had been handed over to the Eastern Railway by the old Kalighat-Falta Railway. Further, the Railway had already got the valuation reduced to Rs. 1.76 lakhs after much persuasion and many discussions, during which the Railway impressed upon the Municipality that the value of properties in that area had gone down consequent upon the closure of the Kalighat-Falta Railway. With this background, there was no reason for the Railway administration to suspect that the Municipality would make a false claim by suppressing the fact of a previous lower valuation."

"The next comment of Audit on this subject was contained in their draft para in its tentative form received from the Chief Auditor in July, 1966. Immediately after that the Railway requested the Chief Auditor to furnish a copy of the Municipal Notification showing valuation of the properties at Rs. 38,820 but he was unable to procure the notification. Then the Railway contacted M|s....,Official Liquidators of the old Kalighat-Falta Railway, to obtain the particulars of valuation of the old Kalighat-Falta Railway properties and the amount of tax paid by the Company from 1956-57 onwards. Ultimately, is reply to the query made by the Railway originally in August, 1966 about the valuation of the old Kalighat-Falta Railway properties as on 31-3-1957, which was followed by personal and telephonic reminders by the Railway's Law Officer, the Municipality accepted (on 8-11-1966) that the total taxable valuation of the old Kalighat-Falta Railway properties had really been assessed at Rs. 22,770 for the quinquennium ending 31-3-1958 and at Rs. 38,820 for the quinquennium ending 31-3-1963—the same as funished by Audit. It is significant that only a little earlier the Municipality had verbally informed the Railway that their relevant records had been destroyed in a fire."

"The Municipality has not yet refunded the excess payment of Rs. 1.81 lakhs. Out of the amounts payable to the Municipality, the Railway Administration have already withheld (Upto June, 1968) a sum of Rs. 78,498. The Railway have also filed a suit in the Alipore Court, the court fee for which was paid on 28th October, 1968."

"It may be recalled that in February, 1968, the Audit were informed that the Municipality had since agreed to refund the ex-

cess payment by way of adjustment through subsequent tax bills. This information was based on what the Municipal authorities told the Law Officer of the Eastern Railway in a meeting on 7th July, 1967. The Municipality, however, went back on this and the Railway was obliged to withhold the above sum of Rs. 78,498 due to the Municipality and also file a suit in the Alipore Court for the balance amount due from them."

7.41. The Committee note that recovery of an "excess payment" of municipal taxes amounting to Rs. 1.81 lakhs is pending and that the Railways have filed a suit in court for effecting recovery. The Committee would like to be apprised of the outcome of the suit.

Central, Eastern, Northern, North Eastern and Western Railways—Delivery of consignments to spurious parties

Audit Paragraph

7.42. In para 33 of the Audit Report, Railways, 1962, payment of heavy compensation claims by the Notrhen Railway in cases where consignments were delivered to spurious parties against forged Railway Receipts, was brought out. The Ministry of Railways (Railway Board) issued instructions to all the Railways in May, 1968, in continuation of their earlier instructions issued in 1959, to take steps to prevent the occurrence of such cases. Cases of fraudulent deliveries, however, continued to occur on the Railways and, during the period from January, 1963 to June, 1965, there were 80 such cases, involving compensation claims to the extent of Rs. 5.18 lakhs. The responsibility of Railway staff has not so far (February, 1968) been determined in 44 cases. Of the 12 cases in which staff were found responsible action has so far been finalised in only 3 cases.

[Paragraph No. 52, Audit Report (Railways), 1968]

7.43. The Committee desired to know whether the Ministry had taken any remedial action regarding delivery of consignments to spurious parties. The representative of the Ministry of Railways stated, "This question of delivery of fraudulent railway receipts was very thoroughly gone into in 1958 and we made certain proposals to the Law Ministry which they did not find to be capable of being enforced legally. We made the proposal that where the invoice is not at hand then we may withhold delivery until the man is also prepared to execute an indemnity bond indemnifying the Railways. The Law Ministry held the view and rightly too that if a man is presenting a railway receipt, you cannot refuse delivery to him unless you can have sufficient proof in your hands that

it is a forged railway receipt. Otherwise you will have to grant delivery and you cannot claim an additional indemnity bond. This was their view. Then we referred the matter to a Committee of Chief Commercial Superintendents and they formulated certain proposals which provided sufficient safeguards against the fraudulent delivery taking place and those instructions were issued in October, 1959. For the Committees' information I might indicate what those precautions were. Where the invoice is not at hand and somebody approaches for delivery then either the man should be identified by a known party and the delivery given only after proper identification of the party, or, if he was not in a position to get himself suitably identified in this manner, the instructions were that telegraphic communication should be made with the station from which the railway receipt originated to verify whether the receipt was genuine. Only after verification the delivery could be given. If a consignment which is not usually dealt with at a particular destination station suddenly appears there, then it should be verified from the booking station whether this was a genuine case or not."

7.44 The witness further informed the Commitee that "In a matter of 2-1|2 years out of millions of deliveries there were 30 frauds. Out of these, 6 were such which nobody could prevent. They were cases where the original railway receipt while in postal transit were intercepted and delivery granted on the basis of those receipts. We could do just nothing about it. The other 74 cases were all preventible if these instructions had been followed. They are cases where the very clearly laid down precautions had not been observed and where staff are definitely responsible." These cases of negligence on the part of the staff involved, according to the information furnished to the Committee, "cases in which the invoice/P.W. Bill had not been received and the person claiming delivery of the consignment was not known to them, but no real action was taken to check up on the genuineness of the transaction. There were also cases in which the invoice/P.W. Bill had been received and yet the staff failed to compare the Railway Receipt presented against the Invoice/P.W. Bill. What is indicated is that the staff should be repeatedly reminded of the need for watchfulness and that exemplary action should be taken when they fail, keeping, of course, all attendant circumstances in view. The Railways are being suitably instructed on these lines."

7.45. The witness also stated that "out of the total 80 cases, staff responsibility has not been fixed in 26 cases. Staff responsibility has been fixed in 37 cases. There are reasons for not fixing the staff responsibilty in 26 cases. Where the court cases are going on, we hold our hand in fixing responsibility lest that might effect the legal proceedings. In 17 cases no staff has been held responsible and these 17 cases include the

6 cases mentioned above. In 10 cases disciplinary action has been completed and in 2 cases it has been partially completed."

7.46. In reply to a question, the witness informed the Committee that there was a considerable time-lag between the commission of the fraud and the detection of the fraud. It was not unusual for a period of 6-8 months to elapse before it became known that a fraud had been committed. Thereafter the question of fixing the responsibility started and that normally took a minimum period of about a year.

7.47. The Committee note that there were 80 cases of fraudulent deliveries between January, 1963 and June, 1965 involving compensation claims against the Railways to the tune of Rs. 5.18 lakhs. 74 of these cases could have been prevented had the staff concerned taken the prescribed precautions. The Committee agree that exemplary action needs to be taken to prevent such instances of negligence or connivance on the part of the railwaymen. They trust that in all those cases where responsibility is yet to be fixed, action will be expeditiously taken.

7.48. Another point that the Railway should bear in mind in dealing with these cases is the need to settle compensation claims of aggrieved parties as expeditiously as possible, so as to win the confidence of the customers.

Eastern Railway—Misappropriation of wagon registration fees

Audit Paragraph

7.49. In the course of local inspection of a station in July, 1966, serious irregularities were detected by Audit in the accountal of deposits and refunds of wagon registration fees. Further investigations conducted by the Administration revealed misappropriation of Rs. 1,08,220, spread over the period from January, 1964 to July, 1966. The *modus operandi* was (i) inclusion of money receipts in refund statements without corresponding cash deposits, (ii) showing the same money receipt numbers more than once in the refund statements, and (iii) over-casting daily totals of refund statements.

7.50. Though the misappropriation continued over a period of two and a-half years, it remained undetected in the central check of station returns conducted by the Accounts Department as also in the periodical local inspections of the station conducted by inspectors of Accounts and Commercial Departments.

7.51. The Administration stated (January, 1968) that no lacuna in the procedure of work in the Accounts Department came to notice and

that disciplinary action against the Accounts and the Station staff was in progress.

[Para 53—Audit Report (Railways), 1968].

7.52. The Committee enquired whether the staff responsible for the perpetration of fraud had been punished and whether the responsibility for non-detection of fraud over long period had been fixed. The Ministry in a note stated as under:—

(i) *Assistant Goods Clerk.*

7.53. He was held responsible for the Commission of the fraud and placed under suspension with effect from 29th August, 1966 and charge sheeted for a major penalty. But DAR proceedings against him had to be kept in abeyance in terms of existing instructions of the Ministry of Home Affairs, as the SP/SPE, Patna had also launched a court case for his prosecution.

(ii) *Station Master and 5 others*

7.54. They had worked at the Pekur Station during the material period of fraud and were held responsible for negligence in control and failure of supervision over the working of the Assistant Goods Clerk. While the Station Master and the Chief Goods Clerk are being prosecuted by the SP|SPE, Patna and 5 others Station Masters hae been served with charge sheets.

7.55. There has been no further progress in the DAR enquiry against these staff as the case against the main delinquent is still *sub- judice.*

(b) Two clerks and the Travelling Inspector of the Accounts Department who were found responsible for non-detection of the fraud over the long period have been dealt with as under:—

(i) *Accounts Clerk Gr. II.*

7.56. Punishment notice for stoppage of increments for three years with cumulative effect has been served on him.

(ii) *Accounts Clerk Gr. I.*

7.57. He was removed from service and it was also decided to forfeit 50 per cent of S.C. to P.F. due to him. The employee, however, has taken the matter to Court. The proposed penalty could not be imposed on hint as the case is still *sub judice* (in the Calcutta High Court).

(iii) *Jr. T. I. A.*

7.58. He was served with a 'Show Cause Notice' proposing the punishment of reducing him from the post of Jr. T.I.A. to Clerk Gr. I for a

period of three years but the employee has taken the matter to the Court of Sub-judge, Dhanbad. The proposed punishment could not be imposed as his case is still pending in the said court.

7.59. The Committee note that wagon registration fees amounting to Rs. 1.08 lakhs were misappropriated on one of the stations on the Eastern Railway through manipulation of entries in the relevant documents. It is surprising that, though the misappropriation continued over a period of two and a half years, it remained undetected in the course of various internal checks conducted by the Accounts and Commercial Departments. The Committee observe that appropriate action has been initiated against those found delinquent and negligent. They would like to be apprised of the outcome of these proceedings.

Advance from Contingency Fund and Supplementary Grants

Audit Paragraph

7.60. On 31st March, 1967, the Ministry of Railways sanctioned an advance of Rs. 50 lakhs from the Contingency Fund of India to cover expenditure under "Grant No. 9—Revenue—Miscellaneous Expenses" on account of the write off of the cost of imported steel lost in a vessel which was abandoned in mid ocean on 15th December, 1962. The Contingency Fund of India Rules, 1952, as amended from time to time envisage that advances from the Fund shall be made for the purpose of meeting unforeseen expenditure including expenditure on a new service not contemplated in the Budget. The nature of the expenditure in this case, that is, loss due to sinkage of a vessel, was known to the Ministry before the Budget for 1966-67 was framed by them. A proposal for the write off of the loss amounting to Rs. 54.60 lakhs was before the Ministry as early as June, 1965, but no provision was made in the Budget.

[Paragraph No. 6, Audit Report (Railways), 1968.]

7.61. The Committee desired to be informed of the reasons for not making suitable provision for the expenditure in the original Budget for 1966-67 or at least in the Supplementary Demands for Grants which were voted by Parliament a few days before the advance was sanctioned.

7.62. In a note, the Ministry of Railways stated as follows:—

"The decision to sanction the write off the loss was taken on 6th March, 1967 and the same was communicated to the Railways concerned on 22nd March, 1967 and consequently could not be anticipated earlier and provided in the original budget for 1966-67 framed in February 1966 or the Revised estimates

framed in February 1967 on the basis of which the supplementary demands had been presented."

7.63. It was pointed out to the Ministry that the excessive Supplementary Grant obtained in March, 1966 under the same grant, that is, 'Grant No. 9—Revenue Miscellaneous expenses' and the recurring feature of large savings under this grant was commented upon in Para 10(a) of the Audit Report, Railways, 1967. The Committee, therefore, enquired whether the Ministry kept in view their past experience while obtaining Supplementary Grant and advance from the Contigency Fund during 1966-67. The Ministry have, in a note stated:

"Past performance cannot be taken as a guide for fixing the Supplementary Demand especially under this Grant i.e., Grant 9, as it is an omnibus grant which obeys no general trend as it covers a large variety of miscellaneous working expenses like expenses of the Catering Department, compensation for death and personal Injury in Railway accidents, payments on account of municipal taxes, and water charges, including arrears, etc., as well as 'Revenue suspense' which holds items of expenditure not susceptible of adjustment against final/service heads for want of vouchers, acceptance, particulars, etc. The Supplementary Grant was for specific purposes, like additional payments due to enhancement in the rates of dearness allowance, effect of the higher level of expenditure on a variety of items such as municipal taxes, law charges, civil defence measures and rise in the prices of raw materials for the Catering Department. The additional provision was utilized by and large for the various purposes envisaged in the Supplementary Grant. The saving was chiefly because debits for freight insurance and incidental charges etc., on stores did not come from other Departments to the extent expected (55 lakhs) while debits adjusted in respect of the Emergency Force and Civil Defence measures etc., also fell short of expectations (54 lakhs). The latter item includes a saving due to non-utilisation of the provision retained in the final allotment in expectation of the reversal of debit for security patrolling; this debit was not reversed by the Civil authorities (A.G. Assam) during the year, contrary to expectations. Savings of comparatively small magnitude also occurred due to fluctuations in adjustment of normal (6 lakhs) and special (13 lakhs) contributions to Provident Fund and transactions accommodated/adjusted under 'Suspense' 15 lakhs)."

"It is also submitted that the saving under a grant should equitably be viewed against the total final grant rather than the amount

of the Supplementary Grant alone because the expenditure for the year is recorded vis-a-vis the total grant. The saving under actual expenditure was 5.7 per cent. of the total grant."

7.64. The Committee feel that it was unnecessary to have resorted to an advance from the Contingency Fund in this case, as the expenditure was clearly foreseen. The advance related to the write-off of an item of expenditure incurred as early as December, 1962 and the proposal for write-off was under the consideration of Ministry of Railways since June, 1965. Had that proposal been speedily processed it would have turned out to be unnecessary to have taken an advance on the last day of the financial year. The Committee desire that action should be taken to ensure that the Contingency Fund is not unnecessarily drawn upon by holding over proposals for expenditure received well before the close of the financial year.

M. R. MASANI
Chairman,
Public Accounts Committee.

April 3, 1969
Chaitra 13, 1891 (*Saka*)

APPENDIX

Summary of Main Conclusions/Recommendations

S. No.	Para No. of Report	Ministry/Deptt. concerne	Conclusions/Recommendations
1	2	3	4
1.	1.17	Railways	The Committee note with concern that the Railways ran into a deficit in 1966-67 for the first time since Independence. The Budget for 1966-67 actually envisaged a surplus of Rs. 22.19 crores, but this failed to materialise and the actual results showed a deficit of Rs. 18.27 crores. The deficit was mainly caused by a shortfall in goods earnings, in respect of which the Railways had in fact expected an increase of Rs. 44.53 crores over the revised estimates for the previous year. It is odd that such a result should have been anticipated at all, when the Budget had taken note of the drought and its repercussions on passenger earnings, which were expected to go down. The actual results over the year showed that the drought affected other sections of the economy as well

and upset the Railway's calculations regarding an increase in goods earnings.

2. 1·18 Railways — In their 22nd Report (Fourth Lok Sabha), the Committee have already drawn attention to the heavy overcapitalisation that took place in the Railways during the period of the Third Plan leading to the creation of traffic capacity far in excess of actual requirements. In the Committee's opinion, the deficits now developing in the Railways have to be considered as a legacy of the faulty policies embodied and followed during the Third Plan, which resulted in an increase in dividend liability of the Railways to the General Revenues from Rs. 55 crores in 1960-61 to Rs. 115 crores (excluding the passenger fare tax) in 1966-67.

3. 1·19 Do. — In the context of the deficits now developing, it will be necessary for the Railways to take serious steps to put their house in order. The Committee would in this connection like to commend the following broad lines of approach:

(i) The Railways should show extreme circumspection in embarking on new capital expenditure. Work like the doubling of lines and expansion and remodelling of yards, etc. fall in this category. Later in this report, the Committee have given some instances of such works completed at substantial costs not having brought the results expected of it.

(ii) A concerted effort should be made to secure more efficient use of the rolling stock and other capital assets on the Railways. The indices of track, wagon and locomotive utilisation given at page 13 of this report show that there is scope for improve-

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			ment in this regard. One way of improving the utilisation of rolling stock and effect saving in the fuel bill is to increase the speed of trains without endangering safety. It would have the double advantage of adding to public convenience and also effecting saving in expenditure. A particular effort should also be made to maximise wagon usage by reduction in the 'turn-round' and further resources should not be committed to the purchase of wagons before a careful assessment is made of surplus wagon capacity existing in the Railways as suggested by the Committee in paras 1.35 & 1.36 of their Forty-Ninth Report (Fourth Lok Sabha).
			(iii) Cost consciousness should be inculcated at all levels of operation. Some of the Zonal Railways are stated to be compiling data about the basic average unit cost in respect of freight services. The Railway Board should ensure that this data is speedily compiled by all Zonal Railways and purposefully used to identify expensive areas of operation and to enforce economies. Other fields where costing and job analysis would help to bring about economies are marshalling yards, terminals and locomotive workshops. In regard to the workshops, the Committee have elsewhere in this Report made suggestions for the introduction of a system of batch costing and

comparative evaluation of the performance of workshops in the various Zones.

The Committee are glad to note that the cost study cell in the Railway Board has undertaken useful studies of various areas of operation. The Committee have no doubt that the results of their study in subjects like 'Line Haul' Cost, 'Cost of Marshalling' etc. will be used by the Railway Board to evaluate the comparative performance of the individual Railway and to isolate weak spot, which should immediately receive attention.

(iv) Systematic efforts should be made to effect economy in expenses. Two fields which should receive special attention are fuel consumption and staff strength. The expenditure on fuel and staff should be subjected to periodical high-level review both at the Zonal and the Railway Board level and expenditure on staff should be reviewed at the Zonal level by the General Managers in consultation with the Financial Advisers and Chief Accounts Officers, as suggested later in the Report, to check firmly any increase and effect maximum economy consistent with efficiency.

(v) Above all, accounting and management techniques on the Railways will need reorientation. The scale of operations on the Railways has increased enormously, with a corresponding increase in costs. It would be necessary for the Railways to discard outmoded techniques of checks and controls evolved

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			in the past in a different context. Cost control cannot be secured by assessing performance in terms of expenditure incurred. It will require evaluation of output and, for this purpose, norms will have to be fixed for various operating indices. This will necessarily require far-reaching changes in accounting and budgeting techniques at the operating levels in the Zones. The Committee recognise that the Railways have a variety of assets and operations on which expenditure is incurred and that therefore the introduction of a system of performance budgeting bristles with difficulties. However, a start has been made in this respect and the Committee would like it to be considered how best the pace could be accelerated.
4.	1.38	Railways	The Committee are surprised that despite the erratic growth of goods traffic since 1961-62, the Railways should have budgeted for an increase in goods traffic of 11 million tonnes during 1966-67. The actual increase in traffic that materialised was only 2.2 million tonnes or one-fifth of the increase in traffic expected. The shortfall was mainly on account of coal, cement, general goods and steel plants traffic. The Committee have in paras 1.11, 1.19 and 1.24 of their Forty-Ninth Report (Fourth Lok Sabha) already drawn attention to the need to ensure that estimates of traffic in respect of these commodities are drawn up on a realistic basis, in the light of empirical data, which should

			be subjected to periodical review on the basis of known and anticipated demand and production data for various commodities. The Committee hope that this will be done and that, in the process of assessment of traffic, the significant progress made in road communications and their impact on the Railways' share of goods traffic will be kept prominently in view.
5.	1·39	Do.	The Committee note that the Railways are sustaining an estimated loss of Rs. 25 crores every year on account of ticketless travel. While this shocking evil can be eradicated only with the growth of civic consciousness among the travelling public, the Committee would like the Railways to consider in what ways the intensification of checks and the assertion of order and discipline can help to minimise the losses on this account.
6.	1·65	Do.	The Committee are exercise about the mounting fuel bill of the Railways which increased by over a third from Rs. 92.07 crores in 1964-65 to Rs. 127-82 crores in 1967-68. One major item of fuel was coal and the coal bill increased from Rs. 85.22 crores in 1964-65 to Rs. 97.46 crores in 1967-68. The cost increased partly due to the increase in the price of coal, but there was also an increase in consumption, which occurred despite a reduction in the steam locomotive fleet. It has been stated by the Railway Board that increased use of lower grades of coal coupled with a drop in load and speed of trains hauled by steam locomotives were responsible for the extra coal consumption. However, an analysis of the problem by a Study Group of the Railway Board showed that there was substantial scope for economies. The following points high-

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			lighted in the Study Group's Report deserve, in the Committee's opinion, detailed follow-up action: (i) 'The drop in productive utilisation of loco hours made available to traffic" in some Railways. (ii) "The disproportionately large" increase in passenger locomotives in some of the Railways. (iii) The "slow" pace of reduction of steam locomotives, in some of the Railways, with the reduction in goods traffic hauled by steam traction. (iv) "The disproportionate increase in coal consumption on shunting engines."
7.	1·66	Railways	Apart from the scope for economies, no less important, in the Committee's view, is the need to check losses on account of theft by intensifying vigilance on the part of the Railway Protection Force.
8.	1·67	Do.	There is an equally vital need to keep a check on the consumption of diesel oil and P.O.L. With the increasing pace of dieselisation, these items will account for a progressively increasing proportion of the Railways' fuel bill.
9.	1·68	Do.	The Committee observe that the total fuel bill of the Railways amounts on an average to a fifth of their working expenses. There is,

			therefore, imperative need for the Railway Board to keep this item under continuous high-level review. The Financial Advisers attached to the various Zonal Railways should also keep tab on the position in this regard.
10.	1·69	Do.	In view of the deficits in the working results of the Railways, there is need to enforce economies in other spheres also. A study by the Efficiency Bureau indicated that operational economies could be achieved through the closure of certain block crossing stations and the introduction of 'one engine only' system in sections where traffic is light. The Committee note that some of the recommendations made by the Efficiency Bureau in this respect have been implemented and others are under consideration. The Committee would like early action to be taken in this regard. The Railway Board and the Zonal Railways should also assess the scope for economy in expenditure on staff, on the basis of studies of special organisations in Railways conducted by the Efficiency Bureau and the special review at present stated to be under way by the Financial Advisers of Zonal Railways.
11.	1·70	Do.	The comparative evaluation at page 50 of their Report would indicate that the staff position in some of the Railways like the Central and South Eastern Railway would bear closer scrutiny. In fact, the Railway Board should carry out periodical reviews of the working of the various Railways, not only from the point of view of staff but from the point of view of overall financial results so that timely action could be taken to arrest any deterioration in performance.

1	2	3	4
12.	2·6	Railways	While the Committee note that the accumulation of scrap is being progressively controlled, they cannot help observing that there has been a steady increase in the balances of scrap both absolutely and in terms of the total stores balances. The target set by the Railways in 1963-64 was to bring down the 'holdings' of ferrous scrap, which constitutes the bulk of the scrap accumulations, to six months' 'arisings' but the balance at the end of 1967-68 amounted to nine months' arisings. Such as accumulation causes-congestion in the yard and also blocks substantial income which the Railways could get by its disposal. The Railways should take steps to accelerate the disposal of scrap, after making full utilisation for Railway purposes.
13.	2·21	Do.	The Committee observe that, due to a failure on the part of the Railways to utilise adequately stocks of ferrous scrap available with them in the fabrication of cast iron sleepers, an avoidable expenditure of over Rs. 10 lakhs was sustained by them on contracts for these sleepers placed in 1964-65 and 1965-66. The loss would be even higher if the stocks with the engineering subordinates which were not surveyed and classified are taken into account. The Railway Board had themselves been obtaining since April, 1963, quarterly statements of ferrous scrap available with the various Railways. These very clearly indicated that, due to increasing tempo of track renewals, there were substantial 'arisings' of scrap every quarter, which were progressively augmenting the balances. The increasing accumulation occurred despite the consumption of scrap in the Railway Workshops, which, during the period 1961-62 to 1965-66, ranged from

21,270 tonnes to 45.760 tonnes. The position in regard to the accumulation of stocks in fact became so acute that the Railway Board directed the Railways to bring down their stocks from 14 months' 'arising' to 6 months' 'arisings'. It is, therefore, paradoxical that, in the face of this steady and progressive accumulation of scrap, the Railway Board should have felt obliged, while assessing the quantities of scrap available for issue to the contractors, to discount the quantities shown as available in the stock returns, to provide for consumption in the Railway Workshops, or to assume that prospective 'arisings' in the course of the year will take place only during the latter part of the year and need not be taken into account. It is also strange that no note was taken by them of the fact that balances with engineering subordinates (which are, in fact, still to be ascertained) had not been reported by the Railways and that, with expeditious survey and classification, part of these balances could have been utilised for fabrication of the sleepers. As the Financial Commissioner (Railways) himself admitted during evidence there was "not good enough coordination" between the Railways and the Railway Board in assessing the availability of scrap and utilising "the maximum amount which could be utilised." The Committee would like the Railway Board to investigate how this occurred and fix overall responsibility and also to ensure that in future the accumulated balances of scrap, including the balances with engineering subordinates, which will have to be expeditiously surveyed and segregated, are put to gainful use.

14. 2.35 Do.

The Committee note that certain rails laid by the South Eastern Railway on the main lines which in the opinion of the Railways "were

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			not defective" were removed to a siding prior to the commissioning of the lines. This became necessary, as the inspection certificates in respect of those rails "which were lying in the (Railway) Board's office and also in the office of the Central Railway" did not become available to that Railway at that time. The shifting of the rails, which the Railway Board considered "very unfortunate", cost the Railways a sum of Rs. 1.98 lakhs. As the shifting was done by the Railway concerned in the interests of public safety, the Committee do not wish to pursue the question of responsibility for the infructuous expenditure incurred. The Committee hope, however, that the Railway Board will ensure that vital documents relating to operational stores are supplied to the Railways in time and are properly recorded to facilitate reference and checking.
15.	2.67	Railways Deptt. of Iron & Steel	The Committee are not happy about the performance of the Durgapur Sleeper Plant in the matter of the supply of sleepers to the Railways. Out of a lot of 2.94 lakh numbers of sleepers supplied between 1965-66 and 1966-67, 25,000 were defective, 35,773 second-class (fit for use only in sidings) and 3,665 rejects. Besides, the Plant accumulated 1.30 lakh numbers of sleepers, rejected on inspection, which they were constrained to sell to the Railways at a reduced price. The Plant inevitably ran into heavy weather as a result of the production of such a large number of sub-standard sleepers. Its working had to be restricted to two shifts and its production slumped from 68,662 tonnes in 1965-66 (90 per cent. of capacity) to 55,047 tonnes in 1966-67 (73 per cent. of capacity). Its working results changed from one of profit in 1965-66

			(Rs. 70.20 lakhs) to that of loss in 1966-67 (Rs. 34.73 lakhs) and 1967-68 (Rs. 56.19 lakhs).
16.	2.68	Do.	The Committee note the view expressed during evidence that there are some "inherent defects" in the process of manufacture of sleepers. The Committee cannot, however, avoid the conclusion that perhaps the Railways also cannot escape from some part of the reponsibility for this state of affairs since they had accepted the process of simultaneous pressing and punching which gave rise to these "defects". The Railways have on this account asked for a change in the design of the sleepers, but this would require a complete change in the processing operations and the layout, entailing substantial capital investment. The Committee are unable to understand why the process of operation adopted by the Plant has produced such unsatisfactory results when it has been worked successfully in other countries. This suggests that either the presser plant and the dies are defective or that they are not being properly maintained or operated. The matter needs close investigation by Government.
17.	2.69	Do.	A development which is likely to have repercussions on the economics of the Plant is the proposal of the Railways to go in for prestressed concrete sleepers. The Committee note in this respect that the Railway Accidents Enquiry Committee (1968) have in Part I of their Report urged the Railway Administration to make a special effort to introduce concrete sleepers on an extensive scale and that these sleepers have been found very suitable for purposes of track circuiting and automatic signalling. Modernisation of signalling arrangements on the Railways will require use of prestressed concrete sleepers on a progressively increasing scale. Serious consideration, therefore, needs to be given to the adverse implica-

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			tions of the development on the demand for sleepers of the type produced by the Durgapur Plant and the economic working of the Plant.
18.	2·85	Railways	The Committee cannot help feeling that the Railways incurred an avoidable expenditure of Rs. 10.6 lakhs in this case by failing to restrict their orders for imported fish-plates to their immediate requirements. The fishplates were procured for meeting urgent requirements in connection with track renewals, but an assessment was not made before placing the orders as to whether the supplies of rails were likely to materialise in time. The representative of the Railway Board himself admitted in this respect during evidence that the fish plates were procured "irrespective of whether the rails could be used immediately or a little later." Apart from this, the Railways also failed to assess the extent to which their requirements of fish plates were likely to be met from indigenous sources. Arrangements had in fact been made before the orders for imported fish plates were placed for 22,000 tonnes of billets being imported for augmenting indigenous production of fish plates. However, the Railways failed to ascertain the programme drawn up by the Iron and Steel Controller for the utilisation of these billets and to restrict their purchases of imported fish plates correspondingly. The over-all result of these omission was that, of 12,500 tonnes of fish plates imported as an urgent requirement in June, 1963, over a sixth (2,556 tonnes) remained unutilised till the end of 1964-65, due either to rails not becoming available or to indigenous supply being higher than anticipated. Had orders for this quan-

			tity not been placed in November, 1962, the Railways could have averted an extra expenditure of Rs. 10.6 lakhs, apart from saving valuable foreign exchange.
	2·86	Do.	The Committee trust that in the light of the experience gained in this case, steps will be taken by the Railway Board to ensure that such costly errors in estimation do not recur.
19.	2·105	Do.	The Committee are surprised to learn that an order placed by the Railways in October 1961, for Meter-Gauge bogie petrol tank wagons costing Rs. 26 lakhs was not cancelled in spite of clear indications that became available subsequently that these wagons would turn out to be surplus. It is all the more surprising that this should have happened, when the supplier himself repeatedly made representations to the Railways for the cancellation of the order. The representatives of the Railway Board stated before the Committee that the main reason which weighed with them in not cancelling the order was that the cancellation would have entailed infructuous extra expenditure of Rs. 1.2 lakhs. They also argued that, though the Railways "could have done with fewer tank wagons", the procurement of these 100 wagons helped to make transportation "easy". It passes the Committee's comprehension how, for the sake of avoiding an expenditure of Rs. 1.2 lakhs, the Railways accepted an avoidable capital investment of Rs. 26 lakhs, thereby commiting themselves to a recurring annual liability of Rs. 1.56 lakhs by way of dividend payable to the General revenues. As regards the view that these wagons helped to ease movements, the Committee see little justification in the Railways building up a large cushion of wagons to meet unforeseen fluctuations in traffic when the same purpose could well be served by better

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			utilisation of wagons. The operational statistics given in the 'Review of Performance of Indian Government Railways' (February, 1969) would indicate that wagon kilometres per wagon day have progressively gone down from 60.1 in 1965-66 to 57-6 in 1967-68 in metre gauge sections. This signifies more detention of wagons in marshalling yards and at terminal points, which the Railways should be able to reduce with concerted effort. The Committee have already drawn attention to this aspect of wagon utilisation as also the existence of surplus wagon capacity in the Railways in Paras 1.35 and 1.36 of their 49th Report (4th Lok Sabha). The Committee hope that, in the light of those observations, earnest efforts will be made by the Railways and the Planning Commission to assess the existing wagon capacity and the scope for improved utilisation of existing wagon stock, so that precious and scarce resources are not unnecessarily deployed in the purchase of wagons during the Fourth Plan period.
20.	2·106	Railways	The Committee also understand that the Administrative Reforms Commission is comprehensively studying the working of the Railways. The Committee have no doubt that this aspect of the operation of the Railways will in the course of the study receive the importance it deserves and that the results of this study will become available to the Railways and the Planning Commission in time to facilitate the formulation of a correct wagon provisioning policy for the Fourth Plan.
21.	2·124	Railways Deptt. of Supply	The Committee are distressed to note that 12,215 tonnes out of about 13,000 tonnes of steel sheets/plates supplied by an overseas firm to

the Railways did not contain copper according to contract specifications. Besides, some of the sheets turned out to be thicker than stipulated in the contracts. The inspection of these sheets/plates was conducted by the India Supply Mission, London, but they failed to detect that some of the sheets did not conform to contract specifications in the matter of thickness. As regards the chemical properties of the sheets, they relied largely on the Mills' own certificates, but these turned out, on subsequent investigations, to be "forged". In fact, these investigations disclosed that the firm, with whom the contracts were placed did not ask the Mills to produce copper-bearing sheets at all, except for a negligible quantity of 40 tonnes and that in "collusion" with some of the Mills employees "falsified" the certificates. Adequate facilities were also apparently not given to the Inspecting Staff of the India Supply Mission to carry out the inspection.

22. 2·125 Do.

In para 34 of their Thirty-Second Report (Third Lok Sabha), the Committee had commented on the failure of the India Supply Mission to detect the absence of copper in certain consignments of steel sheets supplied to the Railways. It is regrettable that an identical lapse should have recurred and that, in the course of inspection, the India Supply Mission even failed to detect dimentional deficiencies in the sheets. The Committee would like Government to fix responsibility for the lapses that occurred on the part of the Inspection Staff.

23. 2·126 Do.

Another aspect of the case calling for comment is the fact that even after the deficiencies in the lots supplied to the Integral Coach Factory came to the notice of the Railways, six more contracts were placed.

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			with the same firm. The Committee would like Government to investigate how this happened and fix responsibility.
	2·127	Railways Deptt. of Supply	The Committee note that the question of compensation to be paid for the deficient sheets is still in dispute. They would like to be apprised of the progress made in realising compensation from the firm to the extent it is not covererd by securities held or encashed.
24.	2·128	Railways	From the information furnished by the Railway Board, the Committee observe that during the last three years a sum of £ 73,526 was paid as remuneration to foreign Railways and other agencies for inspection of Railway stores for which orders were placed with the overseas suppliers. The Indian High Commission in London has a Railway Adviser and the India Supply Mission, London have their own complement of inspecting staff. The Committee would like Government to examine whether it is not possible for these two agencies to conduct inspection in such cases also, so that the expenditure incurred on the payment of remuneration to foreign Railways and outside agencies could be saved.
25.	2·140	Do.	The Committee regret to note that out of 8.190 axle boxes procured by the North Eastern Railway for use in wagons, as many as 228 axle boxes valued at Rs. 1.78 lakhs have turned out to be surplus, and that the Railways are likely to sustain a loss of Rs. 1.74 lakhs due to the proposal to scrap these surplus axle boxes. The Committee further note that the excess procurement occurred due to the failure of the Railways

			to take into account the fact that the wagons for which these boxes were needed were being condemned in large number. The Committee would like the Railways to investigate the circumstances in which this failure occurred.
	2·141	Do.	The Committee also observe that as many as 98 axle boxes out of 494 procured for the old type E.M.U. coaches in the Central Railway have been rendered surplus and will have to be scrapped. The Committee would like the Railways to investigate the circumstances in which these boxes came to be purchased in excessive numbers.
26.	2·157	Do.	The Committee note that cables made of aluminium worth Rs. 4.81 lakhs were procured by the Northern and Southern Railways for use in signalling circuits though the policy of the Railway Administration was to use only copper cables in these circuits. Consequently these cables could not be utilised for signalling work and had to be diverted for use in other circuits. The Committee note from the information furnished by the Railway Board that a complete picture of the utilisation of these cables is not yet available. Besides, as much as 3.44 lakh metres of cables out of 8.65 lakhs procured by these two Railways, remain unused. The Committee would like the Railways to examine whether these cables could be put to use. If there is no prospect of the cables being utilised in the near future, expeditious arrangements should be made for their disposal.
	2·158	Railways Deptt. of Supply	The Committee also note that though the D.G.S. & D. was asked to procure copper cables, orders were placed by his organisation in one of

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			these cases for aluminium cables without prior clearance from the Railways. It is regrettable that this should have happened particularly when the organisation was aware that the Director General, Technical Development, had not banned the manufacture of that type of cable with copper conductors. It is also strange that though a complaint was made by the Northern Railway in this regard to the D.G.S & D. in March, 1966 no conclusive action was taken by the latter, except for calling for copies of documents after a lapse of 18 months. The Committee would like Government to investigate the circumstances in which the D.G.S. & D. made an unauthorised deviation from the indent specifications while procuring the cables and fix responsibility on the party found at fault.
27.	2.165	Railways	The Committee regret to observe that it took the Railway Administration over four years to erect a steel oil storage tank after it was received at the site of work. A substantial quantity of oil which was, in the meanwhile, stored in concrete tanks was lost due to seepage, the loss on this account, including other sundry losses, amounting to Rs. 58,000. The Committee note that the delay in erecting the tank was caused by the time taken to obtain the approval of the Explosives Department for the erection plans and that the question of fixing responsibility for the delay is under consideration.
28.	2.166	Railways	The Committee deprecate the inordinately long time taken in settling preliminaries and formalities before taking in hand the work of

installation of the tank. The Committee would like the Railways to impress on all concerned the need for adopting a purposive and businesslike approach in the execution of work which is necessary in the interest of stopping wastage.

29. 3·27 Do.

The Committee note that 13 out of 20 bridges built on the Godhra-Ratlam section at a cost of Rs. 5.72 lakhs developed defects within three to four years of their being opened to traffic. As a result, passenger and goods trains had to be slowed down on these bridges, entailing an extra operational cost to the Railways of Rs. 9.42 lakhs during the three years ending 1967-68. As the extra costs will continue to recur, the Committee hope early action will be taken to complete repairs to the bridges on which speed restrictions have been in existence in some form or other for the last six to seven years.

30. 3.28 Do.

One aspect of the case calls for detailed examination by Government. The firm which executed this work and work in other sections, where also defects came to light, went into liquidation in 1962. By that time some of the defects in the work had already come to notice. It is not clear why the matter was not quickly investigated and legal opinion taken on the question whether any general damages could be claimed from the firm notwithstanding the fact that by then the prescribed maintenance period (during which the contractor remained responsible for the work) had elapsed. In fact, legal opinion on this point was taken by Government only in December, 1968, *i.e.*, after the Committee's hearings in connection with the case, and the opinion at that stage was that "not

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			all facts are available to give any categorical opinion whether the Railway Administration had a strong case to claim damages for defective work", and that, in any case "it may not now be possible" to initiate action. The Committee would like the Railway Board to investigate why the case for claiming general damages was not speedily processed.
31.	3 29	Railways	The Committee note that the construction of these bridges involved the use of a new technology with which the Railway engineers supervising the work were not fully familiar. As a matter of precaution, the Railways should have considered whether the 'maintenance period' for the work, during which the contractor would be liable for defects, should have been longer than the normal period of six months. The omission in this respect enabled the contractor to escape liability for defective work. The Committee hope that Government will profit by this experience and issue instructions to ensure that maintenance periods for works involving new technology are fixed in such a way as to safeguard adequately Government's interests.
32	3.43	Do.	The Committee note that the extra expenditure recoverable by the Railways from the contractor in this case (which is still to be exactly assessed) has become the subject-matter of a suit filed in court. They would, therefore, like to reserve their comments at this stage pending the outcome of the suit. One aspect of the case, however, calls for comment. Certain bonds of the value of Rs. 1.03 lakhs furnished by the contractor as guarantee for his performance under the contract were allowed to lapse.

33.	3.54	Do.	The Committee would like the disciplinary proceedings startd against the defaulting officials in this connection to be expeditiously finalised.
			The Committee note that there was a "regrettable omission" on the part of the Railways to serve notice of termination on a contractor before letting out the portions of work left incomplete by him to a new contractor. The award of the work to the new contractor itself was delayed due to this omission and the "clerical delays" that occurred. In the result, the Railways had not only to forfeit their claim for a sum of Rs. 42,978, being the extra expenditure incurred on getting the unfinished work completed by the new contractor; but were also obliged to pay the contractor a sum of Rs. 34,975.
	3.55	Do.	The Committee would like the Railways to investigate the circumstances in which these various lapses occurred and take appropriate action.
34.	4.11	Do.	The Committee cannot help feeling that the work on augmenting the facilities in Tatanagar and Adityapur has not been processed in a very businesslike manner. The work was undertaken, on considerations of urgency, without any survey, to deal with increased traffic expected out of the expansion of the Iron and Steel industry located at Jamshedpur. However, though the expansion of that industry got under way in 1964-65, the work on the remodelling of the yards is still in progress after ten years. Due to the fact that a survey was not conducted, the cost of the work underwent revision after surveys from Rs. 2.22 crores to Rs. 3.94 crores.

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	4.12	Railways	The Committee note that the scope of the work on these yards, as contemplated in the latest estimate for the work, provides for the Tatanagar yard handling about 3,135 wagons as against which the actual traffic that has materialised so far has been of the order of 1,100 to 1,200 wagons. As the expansion plans of the industry in this area, to which this scheme was mainly geared, were completed as far back as 1964-65, it calls for examination whether the scope of the work needs pruning.
35.	4.27	Do.	The Committee consider it unfortunate that, in spite of specific instructions to the contrary issued by the Railway Board, the Northeast Frontier Railway proceeded with the work of remodelling of Siliguri and Alipurduar yards for a capacity of 700 wagons on the basis of their own assessment. The trends of traffic after completion of the remodelling have belied the anticipations of the Northeast Frontier Railway. Against a capacity of 700 wagons provided in these yards at a cost of Rs. 84.81 lakhs, the maximum traffic reached in 1968, was 526 wagons. It was also indicated during evidence that, though traffic will "go up", the peak traffic anticipated "may not be reached." As admitted by the Chairman, Railway Board, during evidence, the Northeast Frontier Railway "should have erred on the side of caution" and stopped work at the level it could have been stopped. Had that been done, the bulk of the expenditure of Rs. 31.78 lakhs incurred, after issue of the Board's instructions, could have been avoided. The Committee trust that the Railway Board will ensure that, in future work of such magnitude is executed after careful advance planning and the prior approval of the Railway Board who would no

			doubt weigh the operational gain|necessity of the work against the expenditure to be incurred.
36.	4·34	Do.	While the Committee appreciate the fact that the construction of the line had to be undertaken in a hurry to meet strategic needs, they feel that it was not prudent on the part of the Railways to have undertaken the construction of crossing stations and the provision of auxiliary facilities without a prior traffic survey. The subsequent closure of the stations rendered the investment of Rs. 7.25 lakhs on that account entirely infructuous, besides saddling the Railways with the responsibility for recurring maintenance expenditure on the facilities created. The Committee trust that action will be taken by the Railways to avoid the recurrence of such costly lapses.
37.	4·43	Do.	The Committee are constrained to observe that the expenditure of Rs. 3.25 lakhs incurred on the provision of additional facilities for handling goods and parcel traffic at Jaipur station was largely avoidable. The facilities were meant to help the station to cope with an anticipated increase in goods traffic from 81 to 148 wagons; apart from an increase in parcel traffic that was also expected. Howeer, the actual goods traffic that materialised at Jaipur station ranged from 79 to 90 wagons during the years 1964 to 1967. The Railway Board have pointed out that if goods traffic at adjoining station, *i.e.*, Jaipur South, Jaipur West, Gandhinagar and a few private and departmental sidings are also taken into account, the increased traffic should be considered to have materialised. The Committee are unable to appreciate how increased traffic at these stations and sidings was related to the facilities provided at Jaipur station. As

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			regards parcel traffic, the Committee note that it declined, instead of increasing, due to "the rapid and intensive development of road services in the area."
	4·44	Railways	The Committee hope that, in the light of this experience, the Railway Board will ensure that planning for provision of facilities to cope with anticipated increases in traffic, is done only after a realistic estimation of traffic growth. In the process of such estimation, it is vital that the impact of the sizeable growth in road communications is also taken into account.
38	4·54	Do.	The Committee regret to note that, due to lack of coordination, the doubling of the Maksi-Ujjain line was allowed to proceed, even after the work of doubling of the Guna-Maksi line to which it constituted "an essential supplement" had been stopped. The stoppage of the doubling work on the Guna-Makshi line was done apparently pending detailed assessment of its traffic prospects in the light of the duobling of the Bina-Bhopal line which had in the meanwhile taken place. It is, therefore, a matter for surprise that no effective action was taken to suspend the supplementary doubling of the Maksi-Ujjain line. As a result, after this portion of the work was completed at a cost of Rs. 2.2 crores, it was found that the peak traffic developed was only 14.5 trains which was even less than the capacity available before the doubling was undertaken. The Committee would like the Railway Board to investigate why there was

			a failure to stop further work on the line and initiate suitable action. The Railway Board should also evolve a procedure for ensuring that line capacity works are undertaken or proceeded with only after the most careful survey of traffic prospects in the light of such works undertaken in complementary sections.
39	4.66	Railways Deptt. of Mines & Metals	The Committee note that the Kottavalasa-Bailadilla line constructed specially for movement of ore meant for export carried a traffic of 0.21 million tonnes in 1967 and 0.67 million tonnes in 1968 (upto 20th August, 1968), against the targeted annual traffic of 4 million tonnes. The consequent loss of earnings in 1967-68 has been estimated by the Railways at Rs. 108.09 lakhs. The Committee observe that the traffic failed to materialise due to the delay in the development of the mines and that from 1969-70 onwards, traffic of 4 million tonnes or more is expected to be moved on this line. The Committee would like to watch the position in this respect.
40	4.67	Do.	One point incidentally arising out of the information made available to the Committee needs emphasising. The Committee notice that Australia has emerged "in a big way" as an exporter of iron ore posing "a serious challenge" to Indian iron ore exports to Japan which are moved on this line. Government are apparently confident that this challenge would be met and that it would be possible to compete with that country on an equal footing. The situation that has developed underscores, however, the necessity for a close and continuous watch on the quality of our export offering and its price.

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41	97 4.	Railways	The Committee cannot help feeling that the expenditure of Rs. 3.22 lakhs incurred by the Railways on the provision of these convertors was avoidable. Two out of four convertors have been closed down and the total production from the other two convertors amounted to 96 tonnes against their capacity of 1,360 tonnes. The Ministry of Railways have stated that the need for intensive utilisation of these convertors 'no longer exists" in view of the considerable expansion in the capacity of steel foundries in the country during the Third Plan. These convertors were also set up during the same period and it is not clear why, before embarking on the project, the Ministry of Railways failed to take note of Government's plans to licence additional capacity in the existing foundry units and also to set up new units, some of which fell within the Railways' own jurisdiction.
42	4.87	Do.	The Committee feel constrained to observe that all the four cranes were purchased by the Railways in this case without drawing up a proper programme for their installation and the execution of works connected therewith. The crane purchased for the Gorakhpur Stores Depot in 1958 was moved from place to place from 1958 to 1962, without being put to any use. In 1963, the site for its installation was chosen, and it took over four years thereafter for all the attendant work to be completed.
	4.88	Do.	Two other mobile cranes purchased for Garhara yard in October, 1964 worked "to half their capacity from a stationary position" because of "the condition of the ground from which they operated." A third

			crane purchased for this yard in April, 1967 as part of scheme for mechanisation of handling facilities in the yard has not been used as the traffic offering could be handled by the two mobile cranes and one Goliath crane already provided.
	4.89	Do.	The Committee do not feel happy that after expending over Rs. 5 lakhs on the purchase of these cranes, little attention was given to the question how effectively and quickly they could be put to use. The Committee trust that suitable action will be taken by the Railways to ensure that expensive items of machinery are purchased by the Railways only after proper assessment of requirements and that they are put to effective use without delay.
43	4.103	Do.	The Committee are not very happy about the state of affairs in regard to the commissioning and utilisation of weighbridges. Out of 23 weighbridges which were reported to be idle, 11 have since been commissioned after delays, five have been installed but not yet commissioned, six are still to be installed and one is under repair. The representative of the Railway Board himself admitted during evidence that "all these are cases of negligence and neglect and there is no defence for any of these cases." The Committee note that action to fix responsibility in these cases has been initiated by the Railway Board. The Committee trust that the Railway Board will also ensure that such of the weighbridges as are not yet being used are expeditiously put into commission. It is also necessary to ensure that orders for new weighbridges are not placed without detailed planning in advance of their installation and that weighbridges are effectively maintained.

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44	5.9	Railways	The Committee find it hard to understand why engines for hauling the Taj Express had to be run double-headed over a distance of 215 Kms. from Jhansi to Agra, when they could as well have been moved from Delhi Junction to New Delhi, a distance of 4 Kms., by establishing a suitable train-link. The process of double-heading cost the Railway Administration a sum of Rs. 2.13 lakhs over a period of one year, after which it was given up, when an engine link was established with effect from 1st April, 1967. The representative of the Railway Board himself stated during evidence that he did not "consider this to be the most economical way of working." It was, however, argued that the engine-link that was established could not have been established earlier, as congestion on the Delhi Junction-New Delhi section did not permit of movement of an engine till a 'goods avoiding line' was built. Even conceding that such movement was impossible, the Committee do not see why the engine-link was not established in October, 1966 when the goods avoiding line was built, instead of April, 1967. The Committee hope that the Railway Board will review the position regarding double-heading whenever it is in vogue in the Railways and ensure that it is avoided as far as practicable.
45	5.21	Do.	The Committee observe that an experimental scheme for maintenance of cost data on locomotives in the various Railways introduced between December, 1956 and February, 1957 was not "progressed with appropriate expedition" from 1960 onwards, when the file on the subject was "lost." The scheme continued till 1966, when it was given up after

the introduction of an incentive scheme in the workshops. The Ministry of Railways have stated that as a result of the incentive scheme and the procedures evolved "for control over the cost of stores through pre-inspection", it has been possible to check effectively the cost of repairs and overhauls of locomotives. The trends of expenditure over the years on the repair and overhaul of locomotives suggest however, the need for devising more effective checks in this respect. The Railways have during the last three years been spending Rs. 85 crores to Rs. 100 crores on the repair and maintenance of rolling stock, a little over half of this expenditure being accounted for by locomotives. The average cost of repairs and maintenance per equated engine kilometre for al lthe Railways together has gone up from Rs. 0.61 in 1965-66 to Rs. 0.70 in 1967-68. The cost has been subject to very wide ariation from one Railway to another. This suggests the need for a closer study of the problem. The Committee would in this connection like to commend the following lines of approach:

(i) Detailed work studies should be conducted in the various loco-sheds where overhauls and major repairs the undertaken with a view to effecting improvements in the methods of operation and achieving efficiency and economy.

(ii) The various operations involved in overhauls and major repairs should be standardised and suitable norms evolved on this basis. Such norms would facilitate comparative evaluation of

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			the performance of different workshops and stimulate healthy competition amongst them. (iii) Based on the standardisation of the various operations, some suitable form of batch costing should be evolved. For this purpose, the experience of undertakings like the Chittaranjan Locomotive Works could with advantage be drawn upon. (iv) There has been a progressive reduction in the number of steam locomotives in use since 1966, due to increasing dieselisation and electrification. It would, therefore, be necessary for the Railways to assess to what extent idle capacity has been created in the steam loco sheds and such capacity could be usefully diverted for maintenance/repairs of diesel/electric locomotives, so that duplication of facilities could be avoided.
46	5·26	Railways	The Committee note that a test check of wagons carrying timber booked from October, 1966 to January, 1967, at four stations in the Central Railway, which lack weighbridge facilities, disclosed loading of wagons beyond the minimum chargeable weights and a consequent loss of revenue of Rs. 8.179. As the annual revenue from the timber traffic originating at these four stations is of the order of Rs. 10 lakhs, it is probable that the loss over a period of one year will be fairly substantial. The losses might also continue to recur. The Committee note that at three out of these four stations the Railway Board do not consider the

			installation of these weighbridges justified on this basis of traffic. As these stations carry timber traffic originating in the Chanda forests, the Committee would like the matter to be kept under constant review. Pending the installation of weighbridges, the question of intensification of surprise checks should be considered. The Committee would also like a speedy decision to be taken on the question of installation of the weighbridge at the fourth station which the Railways are at present stated to be considering.
47.	5·33	D.	The Committee note that, out of a sum of Rs. 56.85 lakhs recoverable as at the end of December, 1966, from various siding holders in the Eastern Railway, a sum of Rs. 14.68 lakhs was still awaiting recovery at the end of July, 1968. The bulk of the recovery relates to public undertakings who have disputed the basis of charges. The Committee hoped that the matter will be speedily sorted out and the outstanding dues expeditiously realised.
48.	5·39	Do.	The Committee regret to note that claims amounting to Rs. 15.98 lakhs for maintenance and other expenses incurred on rolling stock used by Defence Authorities were not preferred by the Central Railway in time and were rejected by the Defence authorities as time-barred. It is surprising that the claims were not raised till Audit brought up the matter and, even after Audit had drawn the attention of the Railways to the position, it took about two and a half years to prefer the claims. The Committee note that action for fixing responsibility in this case is under way and that the Railways are negotiating with the Defence authorities for settlement of the claims. The Committee would like to be apprised of the final outcome of these efforts.

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49.	6·6	Railways	The Committee are surprised to learn that to prevent thefts of Loco fittings which amounted to Rs. 7,400, one of the Divisions in the Central Railway initiated a scheme for detailing loco staff on duty during the 'homing' of locomotives at a cost of Rs. 46,000. It is regrettable that, before introducing the scheme, the Division failed to obtain the sanction of the competent authority or even to consider in consultation with the Chief Security Officer whether the existing security arrangements could be improved. The Committee note that the scheme has since been given up. The Committee desire that action should be taken to ensure that cases of this type do not recur.
50.	6 15	Do.	The Committee note that the Southern Railway carried on its rolls 59 posts of porters in excess of requirements, 49 of them sanctioned prior to 1951 and the rest in 1953. The posts were surrendered some time in 1967. This suggests that a periodical review of the strength of the establishment was not carried out by the Railways as provided for in the standing procedure. The Committee also note that the Railway Board themselves feel that, due to the change in ground conditions that have occurred over the years, the yardsticks in vogue for the provision of various categories of staff on the various Railways need review. The Railways employ a substantial establishment and their wage bill is annually of the order of Rs. 330 to 350 crores. The need to effect economies in this field, therefore needs no emphasis, particularly as the Railways have now run

			into a deficit. The Committee hope that the Efficiency Bureau of the Railways will undertake a systematic study of the major categories of staff and evolve realistic norms for those categories taking into account the local conditions obtaining in the individual Railways.
51.	7.20	Do.	The Committee are concerned over the increasing incidence of thefts on the Railways. With the growing number of thefts, the Railways have also been facing claims from parties on an increasing scale. Some idea of the magnitude of the problem can be had from the fact that claims paid on account of "losses", theft and pilferage increased from Rs. 3.84 crores in 1965-66 to Rs. 5.87 crores in 1967-68. These accounted for over three-fifths of the net claims paid during these years. The fact that during this period the expenditure on the Railway Protection Force increased from Rs. 9.63 crores to Rs. 11.97 crores raises a question whether the Railways have been able to obtain results commensurate with the heavy expenditure on this Force. The Committee would like the Railway Board to examine how best the Railway Protection Force could be made effective to minimise the growing incidence of thefts.
	7.21	Do.	Incidentally, the Committee note that the Railways took 33.1 days to settle claims in 1967-68 as against 31.7 days in 1965-66 and 34.5 days in 1966-67. The Committee would like steps to be taken to ensure that the Commercial Department settles claims in an expeditious and businesslike manner.
	7.22	Do.	The Committee had in their 32nd Report (Third Lok Sabha) recommended that losses on account of thefts of fittings should be separately exhibited in the Appropriation Accounts. The Committee observe

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			that this is not being done by some of the Railways. The Committee desire that their recommendations should be implemented quickly.
52.	7.34	Railways	The Committee feel that the collection of coal ashes in the Jhansi Division during 1964-65 and 1965-66 was very low. It amounted to 10 per cent. of the coal consumed against a recovery percentage of about 22 per cent. fixed by an Expert Committee which had gone into the question of coal consumption in the Railways in 1958. From the data furnished by the Railway Board, it is seen that recovery percentages in the Central Railway as a whole and some of the other Railways like the Western Railway were likewise low. With the increasing consumption of lower grade coal by Railways in recent years, it should be possible to get much better realisation in this respect. In view of the fact that coal ashes fetch a fairly substantial income to the Railways, it may be worthwhile examining why the realisations are at present so poor and whether there is any slackness or leakage in this respect which needs to be remedied.
53.	7.41	Do.	The Committee note that recovery of an "excess payment" of municipal taxes amounting to Rs. 1.81 lakhs is pending and that the Railways have filed a suit in court for effecting recovery. The Committee would like to be apprised of the outcome of the suit.
54.	7.47	Do.	The Committee note that there were 80 cases of fraudulent deliveries between January, 1963 and June, 1965 involving compensation

			claims against the Railways to the tune of Rs. 5.18 lakhs. 74 of these cases could have been prevented had the staff concerned taken the prescribed precautions. The Committee agree that exemplary action needs to be taken to prevent such instances of negligence or connivance on the part of the railwaymen. They trust that in all those cases where responsibility is yet to be fixed, action will be expeditiously taken.
	7.48	Do.	Another point that the Railway should bear in mind in dealing with these cases is the need to settle compensation claims of aggrieved parties as expeditiously as possible. So as to win the confidence of the customers.
55	7.59	Do.	The Committee note that wagon registration fees amounting to Rs. 1.08 lakhs were misappropriated on one of the stations on the Eastern Railway through manipulation of entries in the relevant documents. It is surprising that though the misappropriation continued over a period of two and a half years, it remained undetected in the course of various internal checks conducted by the Accounts and Commercial Departments. The Committee observe that appropriate action has been initiated against those found delinquent and negligent. They would like to be apprised of the outcome of these proceedings.
56	7.64	Do.	The Committee feel that it was unnecessary to have resorted to an advance from the Contingency Fund in this case, as the expenditure was clearly foreseen. The advance related to the write-off of an item of

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		expenditure incurred as early as December, 1962 and the proposal for write-off was under the consideration of Ministry of Railways since June, 1965. Had that proposal been speedily processed it would have turned out to be unnecessary to have taken an advance on the last day of the financial year. The Committee desire that action should be taken to ensure that the Contingency Fund is not unnecessarily drawn upon by holding over proposals for expenditure received well before the close of the financial year.

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